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100th Congress, 1st Session

H. Rept. No. 100-433 S. Rept. No. 100-216

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 5
Depositions

Lee H. Hamilton, *Chairman,*
House Select Committee
Daniel K. Inouye, *Chairman,*
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

November 13, 1987.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.
November 17, 1987.—Ordered to be printed.

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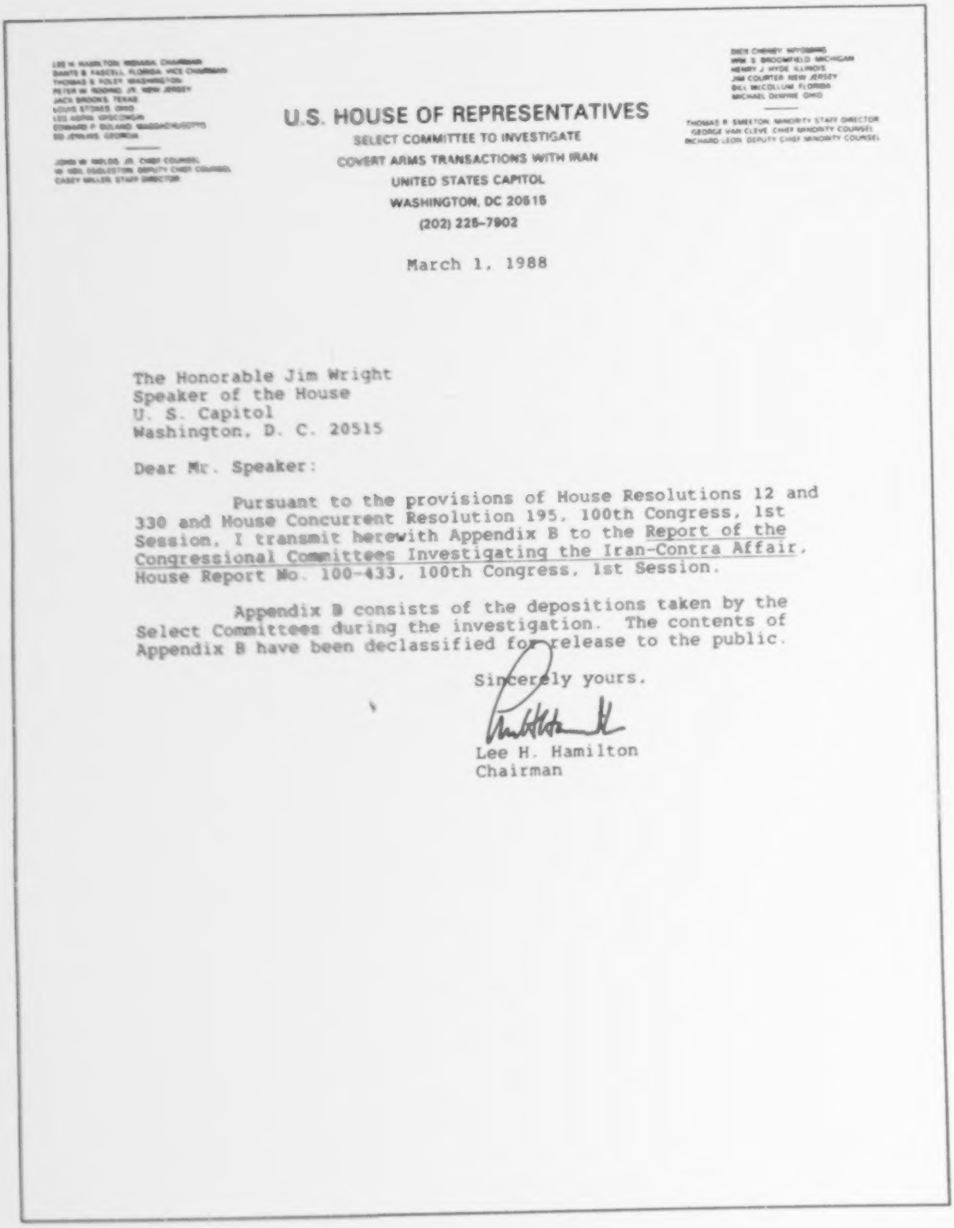

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March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

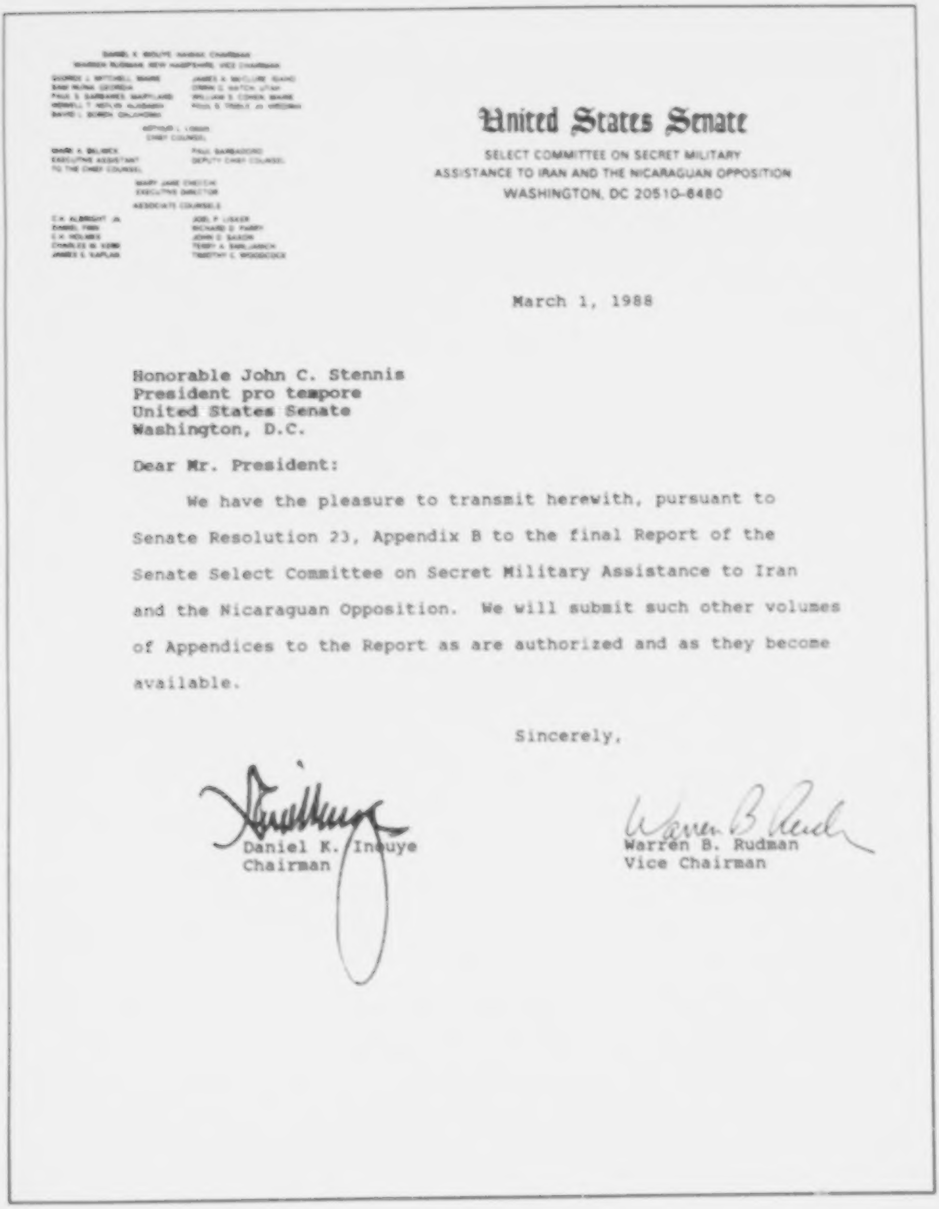
Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
Chairman



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United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
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Warren B. Rudman
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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses – or leads or collateral evidence based on those responses – could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits – documentary evidence – were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents*, 2 volumes, 1988.
Appendix B: *Depositions*, 27 volumes, 1988.
Appendix C: *Chronology of Events*, 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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HSITS - 176 /87

DEPOSITION OF [redacted] CIA Officer

Saturday, April 25, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Deposition of [redacted] called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 10:15 a.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

HOUSE

4210

Partially Declassified/Released on 12 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

DANIEL FINN, ESQ.
TOM YOUNG

On behalf of the Central Intelligence Agency:

KATHLEEN A. MC GINN, ESQ.
Assistant General Counsel
Office of General Counsel
RHONDA M. HUGHES, ESQ.
Legislative Counsel
Office of Congressional Affairs

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P R O C E E D I N G S

Whereupon,

[redacted]

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION

BY MR. FINN:

Q Once again thank you for coming in. As I mentioned, why don't we go through this chronologically,

[redacted]

Q Prior to assuming the position [redacted] did you have any discussions concerning the nature of

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your responsibilities once you arrived there with either your superiors at the Central American Task Force or any other of your superiors in the CIA?

A Yes. I'm sure I did, yes.

Q Can you recall at all what those discussions would have been? For example, did you return to headquarters prior --

A Yes. [redacted] I remember having a meeting with [redacted] and with [redacted] and Dewey Clarridge before going down there, and having sort of read through the files up here and looked at what was going on [redacted]

Q Would this meeting have occurred prior to your coming on scene [redacted] or afterward?

A I think it was prior, yes.

Q Do you have a general idea when that might have been?

A It couldn't have been too much before I went [redacted]

Q Fine. [redacted]

A To the best of my recollection.

Q Just for the record, at that time Dewey Clarridge was still the Latin America Division Chief?

A Yes, he was the Latin America Division Chief.

Q And [redacted] was?

A Chief of the Central American Task Force.

MS. MC GINN: Could we stop for just a second? [redacted] if you could try to let him say his whole question and then answer, because I think the court reporter may be having a hard time because you are both tending to talk at once.

THE WITNESS: Okay. Fine.

BY MR. FINN: (Resuming)

Q You had mentioned that in the context of those discussions with [redacted] and Clarridge that there was a discussion of your views about [redacted] This period, going toward June of '84, was a period in which funding for the contra program was running out; is that correct?

A It had run out, I think. It ran out on the 31st or something, the end of May.

Q Do you recall any discussions as to the future of that program, [redacted]

A Well, generally speaking there would be material that was in the pipeline that would continue coming, and, you know, we were waiting to see what was going to happen with the Congress in the fall, what would happen 1 October.

Q As to this materiel in the pipeline, could you say what the upshot was concerning how that would be treated?

A Well, it was treated just as it had been all along. The material would come in and be turned over to the FDN. [redacted]

Q Fine. Thank you. At the time the funds per se ran out there were no additional operational funds necessary at approximately May 31 of '84. Was there a significant quantity of arms and ammunition which had already been purchased [redacted]

A I don't know. I assume. Their level of activity was fairly high. They were up around [redacted] guerrillas, doing well. I'm not sure how much had been expended [redacted] frankly.

Q Well, why don't we return to the meeting that you had in April or May of '84 and we can go on to the material issue later? Beyond the fact that you discussed the possible resumption of Congressional funding for the program in October of '84, were there any discussions of how the program would be managed or conducted on the assumption that such funding might not have been resumed?

A Not that I recall, no.

Q Wouldn't you say that's a bit unusual in a situation where a program is winding down and the prospects for resumption are unclear, not to have some form of discussion about how [redacted] would comport itself with respect to the resistance forces?

A Well, it was still fairly early in the game, I think, back in May, and, you know, I don't know, looking back on it, if things had solidified to the point where it was known that for sure there would not be, frankly. I don't remember.

Q At any time prior to your assignment [redacted] [redacted] did you have discussions with the Director of the CIA, William Casey?

A No, I did not.

Q So you had not met Mr. Casey at the time of your assignment [redacted]?

A No. I don't recall. Wait a minute. Hold it.

I may have met him once in the hall [redacted], but I never had a meeting or a meeting with him.

Q Prior to being chosen for the position of [redacted] you were not taken to see Casey for an initial discussion by Clarridge or [redacted] or anyone else?

A No. [redacted]

Q How about after your arrival [redacted] Did you then return to headquarters for consultations with the Director or with your immediate superiors?

A No.

Q To the best of your recollection when was the next time you returned to Washington?

A I don't recall. Probably [redacted], perhaps.

Q Can you fill in some of the details concerning [redacted] trip? I presume that would have been for consultations [redacted].

A Probably, yes. If I could just go off the record for a second.

(A discussion was held off the record.)

MR. FINN: Back on the record.

BY MR. FINN: (Resuming)

Q What I'm trying to get at is to begin to understand what planning went into the winding down of the program after the funding ran out and when it became clear that funding would not be restored. This would have been in, let's say, the September to October of '84 time frame. Did you return to Washington for consultations [redacted]

A Not that I recall. [redacted]

Q You mentioned earlier that the contras had a fairly high level of activity. By this I presume you mean the FDN specifically.

A Specifically FDN, but also the Indians, as I recall. They were both doing quite well.

Q So it's your perception that at that time there would have been a continuing need by the FDN for additional sources of arms and ammunition, particularly ammunition?

A That's correct.

Q Would that also be especially true of ammunition or would it range?

A It would range across. But, you know, they'd capture stuff. Also, when you provide them the weapons those weapons should last for a certain period without having to be replaced. You have to have a certain replacement factor, of course, but it would be mostly what I would consider munitions and food.

Q To the best of your recollection did the material that had previously been purchased, let's say for which all charges had been expended prior to the funding cutoff on the 31st of '84, continue to either flow [redacted] for dispersement [redacted] to the FDN?

A Yes. After May 31?

Q Yes, that's correct.

A Yes, that material was in the pipeline, continuing to be dispersed.

[redacted]

Q Would that have been sufficient to sustain the FDN and Indian forces at the level of activity that they were then experiencing, let's say, into December of that year, '84?

A If they sort of stayed off the offensive I would assume it would. I really don't know, to tell you the truth. I think that they couldn't maintain their level of activity without continuing munitions.

Q Did this level of activity that you noted, the [redacted] guerrilla force [redacted] then continue military activity, continue through 1984 and into the spring of 1985?

A No. They began coming out. [redacted]

Q Can you say what time frame the withdrawal spanned?

A October, November, December.

Q Ou [illegible] ring Easter, I

believe, of '85 there was a major Sandinista incursion [redacted] [redacted] is that true?

A That's true.

Q When that incursion occurred did it result in a high level of military activity by the contras who were defending that area?

A Yes.

Q Did they have adequate ammunition to sustain that activity during that period?

A To the best of my recollection, yes. The material had started to arrive.

Q And where was this material coming from?

A Private benefactors. The FDN -- Calero was getting material. It was being sent into the country.

Q What sort of material was this at that time?

A Mostly munitions and some weapons, I would assume.

Q By munitions you mean ammunition?

A Ammunition.

Q This would be small arms ammunition?

A Yeah, for their rifles, for their basic weapons.

Q Did you have [redacted] an idea of where this equipment would be coming from?

[redacted]

A What we believed was the material was coming from actual private benefactors in the United States, wealthy people who Calero had contacted and had provided him funds to buy this materiel on the international arms market.

[redacted]

[redacted]

Q Did [redacted] yourself form an estimate of the value of the supplies that were being provided in the early part of 1985?

A No, not to my recollection. I know we sent cables in estimating how much had come into country, but it was difficult to do because you don't know what price he paid, and the prices really varied. Like one cartridge could vary from 12 cents to 30 cents, and if he got 12 cents and he's buying 20 million, that's a hell of a savings.

Q It was your understanding that Calero and the FDN were being provided cash or funds in some form which they were then using to support their purchases?

A That was our impression in the beginning.

Q Let me go back again to the period in which the funding is running out. This is in the summer of '84. And then when the Boland Amendment, what I guess is called Boland II, which contained the "direct and indirect" language came into effect, the decision was made [redacted]

[redacted]

A Yes, that's correct.

Q When was that decision taken?

A I think after the law was passed.

Q This would mean after October of '84?

A Yes.

Q Going back one step for a minute, the FY 1983 statute which contained the $24 million contra assistance program also contained a clause having to do with direct or indirect assistance once the funds ran out. Do you recall any activity or any change of policy with respect to [redacted] activities coming into effect prior to October of '84?

A No, frankly. There may have been.

Q The only issue that you can recall as a result of the Congressional actions was the specific issues having to do with the funding of items that had previously been purchased and whether they could continue to be supplied?

A Yes.

[redacted]

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[redacted]

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[redacted]

Q Do you recall a [redacted] conference being held [redacted] in September of '84?

A Yes. I think it was August. I may be incorrect. It may be September, but to my recollection it was August of '84.

Q What was the occasion for that meeting?

A It was a normal [redacted] conference.

They usually try to have one every year.

Q Who attended from headquarters?

A Let's see. The Director was there. Dewey Clarridge was there. Clair George was there. I don't recall anyone else.

Q Mr. Clarridge was still the chief of the division at that time?

A He was still the division chief, yes.

Q Do you recall anyone else from other agencies or outside the CIA being permitted to be present at that meeting?

A There may have been.

Q Specifically do you remember Ollie North having been present at that meeting?

A Yes, Ollie North was [redacted], but I don't recall him being in our meetings.

Q So you can't recall any specific session that was part of this meeting at which North was an attendee?

A No. He may have been, but I personally do not recall.

Q Just to refresh your recollection, how did you become aware that North was [redacted] during this time?

A There was a cocktail party [redacted] and North was there.

[redacted]

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[redacted]

Q Do you recall a session at which the chiefs were asked to describe the activities and the situations [redacted] for the visitors?

A No, but I'm sure that would be a normal thing to do.

Q And you don't recall Ollie North having been present at that session?

A No, I do not.

Q Do you recall Ollie North giving a briefing on the situation in the southern front area at that session, at any session?

A No, I do not.

Q At that [redacted] meeting was there any discussion of the future of the contra program?

A Well, I'm sure there was a discussion saying they were going to try their best to get support from Congress.

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Q Did Mr. North -- when you were [redacted] do you recall North speculating or discussing on the future funding for the contras?

A No, I don't.

Q If I were to tell you that North did discuss that issue [redacted] at some time, would that assist your recollection concerning whether he was at the meeting?

A No. I remember the conference room and the meetings we had. I remember having dinner at [redacted] house, or [redacted] house, and the cocktail party [redacted] [redacted].

Q But to the best of your recollection the only time that you can recall North being present is at the cocktail party [redacted] [redacted]

A That's right.

[redacted]

Q If North had been permitted to attend [redacted] meeting, would that not have been unusual?

A I would think so, yes.

Q So wouldn't you agree that if North had been present at the meeting that it would have been sufficiently unusual that you might have remembered it?

A I would think I would have remembered it, but I frankly don't.

Q Was that a large meeting? I'm trying to refresh your recollection on this point.

A Well, it was a large room and when the Director was there, you know, you had some people from headquarters -- I'm sure more besides Clair and Dewey and the Director; other people who just happened to be around.

Q Do you recall the arrangements that were made for the headquarters delegation to arrive? Specifically, do you recall if Ollie North came with them or whether he arrived separately?

A I don't know.

Q If we may, why don't we move forward a little bit to the onset of the humanitarian assistance program and the resumption of certain activities having to do with assistance to the contras? To the best of my knowledge the humanitarian program was approved, more or less, in the late summer or early fall of '85, I believe in September.

A August?

Q August or September of '85. If you agree, let's use the August '85 date. It appears to have been in the beginning of August of '85.

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A Yes.

Q Under this program, which was created essentially by two statutes, the CIA was once again permitted to share intelligence information with the resistance. [redacted]

A Yes. [redacted]

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[redacted]

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TOP SECRET CODEWORD

[redacted]

Q At this time was this intelligence also provided for the purpose of assisting the FDN and other organizations in the effective delivery of humanitarian supplies? Let me clarify that.

Was information provided to the FDN that would assist it in making flight arrangements, in designing flight plans into Nicaragua for the delivery of supplies?

A During this whole period, yes.

Q Can you recall when that function began?

A No.

Q Do you recall specific flight vector information ever being provided to the contras?

A No. Frankly, I don't.

Q Do you believe, however, it might have been provided?

A It rings no bell at all. I don't think so. FDN pilots know Nicaragua very, very well, and there's not much that we could give them outside [redacted] which would change their ways of flying in and out.

Q Despite the familiarity of the FDN pilots with the country, might it not have been necessary to acquaint them with specific approach methods for specific drop zones or things of that nature?

A Not really, because the drop zones are so large. [redacted]

Q If the FDN were asked to fly or arrange for a flight to an unfamiliar area, for example where southern front forces would be operating, might it be essential for them to have more detailed flight information?

A I would assume, yes.

Q Thank you.

A The reason I smile is getting the FDN to drop

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to the south is no mean trick.

Q I think we could probably discuss that later.

What was your understanding of the CIA's role with respect to the humanitarian assistance program?

A Well, our role was one of assisting NHAO in checking to see if the suppliers actually did exist and the material was being supplied. [redacted]

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[redacted]

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[redacted]

Q You stated that part of the mission of the CIA with respect to the humanitarian program was to verify the receipt of supplies, I believe; is that correct?

A Yes. That material was coming. Basically more that these people actually did exist, these suppliers, and that they were supplying material, that the bills were valid bills, valid invoices.

Q Did the CIA obtain specific information on supplies that had been received that it then transmitted back to Washington?

A I'm not sure if we did or not, or if that was done basically as part of [redacted] and made into a NHAO report, if you understand what I'm saying.

Q Perhaps you could clarify that.

A Well, I'm not sure if we sent any traffic on it or the information that was collected by the CIA [redacted] and the State Department officer was just formulated into a report [redacted]

[redacted]

Q Were CIA personnel [redacted] tasked to report on the delivery of supplies pursuant to the NHAO program?

A Yes, to the extent of not getting on every truck and counting every slab of meat. We just couldn't do that. But that material was coming in, that food was arriving, that people were eating, yes.

Q In terms of specific deliveries, to the extent that [redacted] personnel reported on that, what were their sources? Would they have to obtain this information [redacted] or would they have done this as a result of personal observation?

A I think both. But I can't really say.

Q So to the extent that there are reports on this subject, those reports would be based, in your view, mostly on personal observation or mostly on information that [redacted]?

A I don't know. When you look and the guys are eating and they are not screaming about food or looking starved --

Q Would it surprise you if the reports from [redacted] [redacted] were much more specific than the impressionistic type that you described?

A Of course. You're talking how many years ago.

Q If [redacted] was providing more or less detailed reports on supplies that were being received, humanitarian supplies, by the contras, where would those detailed reports have come from?

A The same [redacted] If you're talking about [redacted] [redacted] yes.

Q Were [redacted] personnel spending a great deal of their time making personal observations concerning the precise inventory of supplies that were coming in under this program?

A I don't recall how much of their time it would have taken.

Q Do you agree that if such information concerning inventories and detailed lists of supplies was being collected [redacted]

A That would certainly be my impression of it, yes.

Q What I'm asking is, [redacted] [redacted] lists of the supplies [redacted]

A I don't recall.

Q Okay. I'd like to go through how this program unfolded over time. As we noted, the approval was received for the humanitarian program sometime in August of '85. Were the humanitarian deliveries prior to November of '85, to the best of your recollection?

A I don't know the date. What sticks in my mind were the first planes that came [redacted]

Q Were there any deliveries? [redacted] had there been any previous humanitarian deliveries?

A I don't know. I don't remember.

[redacted]

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[redacted]

Q You mentioned the word earlier "private benefactor", and you mentioned it with respect to the October to December '84 time frame. Was that term in currency during that earlier time frame, late '84? Do you recall how the word came to your attention, the phrase?

A No. Frankly, I don't.

Q At what point did you discover that the NHAO office was relying on contractors to make arrangements for deliveries of humanitarian supplies?

A I would assume when the L-100s landed, when they started coming in, that they were contracted and they weren't U.S. Air Force.

Q With respect to flights that were arriving [redacted] were you aware that contractors were not only making specific flight arrangements but were essentially serving as brokers and had a presence at [redacted]

A I'm not sure what you mean by brokers.

Q Did you become aware that pursuant to the NHAO program the State Department had not only arranged from private sources aircraft for delivery [redacted] but had also arranged, procured the services of an intermediary to make further arrangements for the NHAO program?

A No, not to my recollection.

Q When did you become aware that Max Gomez or Felix Rodriguez [redacted]

A Oh, I had heard Max Gomez was going to Salvador [redacted] that must have been '83 or early '84.

Q Did you at some point link Gomez with the humanitarian assistance program?

A No.

Q When did you become aware that Gomez was performing some function with respect to deliveries to the FDN [redacted]

A I don't recall. Perhaps the newspapers.

Q Did you become aware at some point that private air crews had been retained by someone to shuttle supplies [redacted]

A What time period are we talking about -- during the NHAO period?

Q Yes. Let's say in the period of November of '85 to March of '86.

A No, I did not.

Q So it's your belief that the private air crews did not appear on the scene prior to the winding down of the NHAO program?

A As far as I know.

Q How would you learn about such developments if they were to occur?

A I'm sorry?

Q Let's say that private air crews had appeared on the scene [redacted] How would you become aware of their existence?

A I'm still not sure what you mean.

MS. MC GINN: I think it might be better if you asked him a specific question rather than a hypothetical, if in fact you know that there were private air crews at a certain time. I think he's having problems with some of these hypotheticals.

BY MR. FINN: (Resuming)

[redacted]

Q Now you were aware that supplies of some kind were being received by the contras [redacted] from [redacted]

A Okay. Yes.

Q In the period prior to April of '86 how did you believe these supplies were arriving?

A The FDN [redacted], the FDN [redacted], I'm not sure we knew where planes were coming from [redacted] when those planes landed. They could have been from New Orleans. They could have been from Miami. They could have been from anywhere, frankly.

Q When did you first become aware that DC-7 -- I'm sorry, C-7 Caribou and C-123 aircraft had arrived, were flying [redacted]

A When they flew [redacted] and started, you know, operating [redacted]

Q Can you put a date on that?

A No.

Q Was that prior to the winding down and phasing out of the humanitarian assistance program or thereafter?

A Well, I think it was after, to the best of my recollection, because the NHAO program continued on in a sense, where I believe there were not flights. There wasn't enough money for flights, but there was money that they were using for food and they stretched the money out into I'm not sure when -- March, April, May, something like that of '86.

And I'm not sure. I'd have to look back and find out when the reports say that those first planes arrived and started doing some dropping.

Q Did it ever come to your attention that lethal equipment and supplies were being added to humanitarian supplies provided pursuant to the NHAO program when they were delivered [redacted]

A I recall that there was some rule. Okay? They've talked about the ten percent rule where they allowed a certain amount of materiel that somehow had [redacted] and then was transferred over on a space-available basis. But I don't know what that material was. I can't recall. I would assume munitions, meaning bullets.

Q When you say that certain equipment had not been permitted [redacted] are you referring to a Boeing 707 load which was originally destined for [redacted] but was apparently diverted [redacted]

A Yes. I think so, yes. I'm not sure if it was a 707, but it was an aircraft that I recall was due to come [redacted] with lethal material [redacted] [redacted]

Q What was the approximate time period in which this occurred?

A I don't recall -- sometime in '86, but I don't know when.

Q This would have been in early '86?

A I don't know. There was another plane that landed [redacted] at one time that came in with munitions.

Q And that was earlier?

A I would have to guess on that. I really don't know.

Q What was your source of information about those aircraft that made deliveries, either attempted to or actually made deliveries of lethal supplies?

A [redacted]

Q Did you have any additional information concerning the contents or source of those supplies?

A No. [redacted]

[redacted]

Q So by sometime in early '86, although not too early, it was your understanding that a significant cargo of lethal equipment had been diverted [redacted]?

A I'm not sure if it was '86 or '85. I don't recall much materiel coming in in '86, frankly.

Q You were aware, then, that some of this material that was located [redacted] was being added to flights from [redacted] to [redacted]

A Yes. I must have been, yes.

Q You referred to a rule, I believe.

A I've heard about that, just of recent time. This is something that just came up.

Q The so-called ten percent rule?

A The so-called ten percent rule.

Q You were not aware of that at that time?

A I remember something vaguely along those lines, but I cannot sit here and say God, yes, there was a ten percent rule and this was that date and so and so did it. I'm sorry, I can't.

Q Who would have applied such a rule?

A I would assume the Department of State.

Q And it would have been a rule essentially governing the behavior of the FDN in terms of regulating the extent to which the FDN could place lethal equipment and supplies on NHAO-supported aircraft?

A I see what you mean. Yes.

Q Did NHAO, to the best of your knowledge, subsidize or support the flights [redacted]

A I don't know.

Q You stated your understanding earlier that the FDN had arranged airlift [redacted] is that correct?

A Clearances, yes, but I may be wrong. I know they do that now and they have always done it, and they have always had their own aircraft, [redacted] that went back and forth [redacted]

Q When you say "their own aircraft" you mean aircraft that was chartered by the FDN or actually --

A Aircraft. Well, it may have been chartered at the time, [redacted]

Q [redacted] was a charter?

A Partially charter, yeah. They owned part of it.

Q When the C-7 and C-123 aircraft appeared at [redacted] was it your understanding that these had also been supported by the NHAO program?

A No.

Q So it's your belief that the C-7s and C-123s were completely paid for by the contras or other private parties?

A Private parties, yes.

Q Do you recall a proposal for the contras themselves to charter a C-123 aircraft?

A I think so, but I'm not sure.

Q Was that one of the same aircraft that was later used?

A I don't think so, no. Looking at those aircraft, I don't think we would have accepted any of them. They're kind of junk.

Q At any rate, to the best of your knowledge the State Department did not provide any financial support to the shuttle flights made by the C-7 and C-123 aircraft?

A As far as I know, no.

Q To the best of your knowledge did the State Department provide support for flights [redacted] into Nicaragua?

A No. To the best of my knowledge, no.

Q Was that ruled out? Was there discussion of that point?

A [redacted] into --

Q Yes.

A I don't even recall that coming up, frankly. It may have.

Could we take a break for a couple of minutes?

(A brief recess was taken.)

BY MR. FINN: (Resuming)

Q When we left off we were discussing the C-7 and C-123 flights [redacted] and your knowledge of them. You were not able to put a date on when these aircraft commenced operations; is that correct?

A Yes. I can't recall when they came [redacted]

Q At the point that the humanitarian program was winding down were you generally aware that the contras were the beneficiaries of a private supply network that was operating [redacted]

A I'd say yes.

Q Did you associate that network with Max Gomez' [redacted]

A No.

Q So it was your understanding that Gomez was [redacted] solely to assist the Salvadoran government's counterinsurgency effort?

A I may have heard that he was involved in, you know, some of these other things, but Max Gomez was involved in that for quite some time. That was his reason for being there, the insurgency effort, whatever he did with the insurgents or counterinsurgency, yes.

Q So you are sure he was performing counterinsurgency functions for the Salvadorans but may have had some information that he was also part of a private supply network for the contras?

A Yeah, um-hum.

Q What was [redacted] policy toward these activities? Was there a policy concerning reporting on the supply activities of the private groups?

A Yes.

Q What was that policy?

A Yes. What material they had brought into the country, any material they dropped into Nicaragua was reported in intel format to the community.

Q So there was no restriction on reporting the deliveries that were made through this private network?

A No.

Q And every effort was made, to the best of your knowledge, to collect such information for intelligence purposes?

A Yes.

Q Would you say that you had fairly good reports on the supplies, the supply activities that were being conducted in this manner?

A If we're talking about the drops going into Nicaragua [redacted] yes. To the best of my recollection we put out intelligence reports on each one.

[redacted]

Q Did [redacted] every provide any support to shuttle flights conducted by the private benefactors [redacted]

A Not that I know of, no.

Q So you are not aware of an instance in which flight clearance was arranged for such aircraft?

A No.

Q At what point did you become aware that the C-7 and C-123 aircraft were being used for deliveries out [redacted] into Nicaragua?

A I believe soon after they arrived and went [redacted] and actually made a drop inside, but I believe that they were basically an [redacted] operation.

Q The drops that were made out [redacted] by these aircraft included lethal as well as humanitarian supplies?

A I'm not sure. I would assume yes. It would be both. I mean, every drop we make is a combination of lethal and humanitarian -- almost all of them.

[redacted]

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[redacted]

Q Specifically, did you ever discuss with Lieutenant Colonel North on the NSC the reactivation of [redacted]

A I may have mentioned to him. I don't recall, but I may have mentioned it to him because [redacted] was a personal friend of his.

Q At the time you proposed to have [redacted] brought back into service with the CIA were you aware of his relationship to North?

A [redacted] yes.

Q How did you become aware of that?

A [redacted] told me.

[redacted]

Q Have you ever discussed with North [redacted] role or duties with the CIA?

A Yes, to the extent of [redacted] being a fine man and asking North if he could assist in getting him some form of recognition, which we were unable to do in the Agency.

Q When would that have occurred?

A [redacted] maybe spring or so of '86.

Q Of '86. And you had no discussions with Ollie North concerning [redacted] prior to that time?

A No more than how's [redacted]

Q When you discussed the commendation for [redacted] with North, was that on the telephone or face to face?

A It was face to face.

Q Where was that?

A In North's office.

Q I presume you were back in Washington on other business at that time.

A Yes, I was.

Q Was North successful in obtaining a commendation for [redacted]

A Yes. He told me he was.

Q Have you ever seen the commendation?

A I have not seen it, no.

Q What is your understanding concerning the nature of the commendation that North arranged?

A That North had arranged a letter of appreciation [redacted] for all he had done and it was signed, I think, by the President. I'm not sure. But I called North and thanked him when I heard that that had been done.

Q Stepping back a little, would you say it was well known that Ollie North was engaged throughout the '85 and '86 time frame, time period, in obtaining private and non-CIA support for the contras?

A Well, I don't know how well known it was until the press reports. I mean, I recall the press reports.

Q Those would have been the press reports of September '85?

A September '85, in that period.

Q Were you already aware of North's activities at that time?

A No, but that he was friendly with the FDN and close to Adolfo Calero, si senor.

Q By September of '85 you were aware --

A The first reports were coming out, if you can believe the press, yes.

Q Did you ever discuss with [redacted] his relationship with North?

A Negative. No. [redacted]

Q You would say, therefore, that your decision to reactivate [redacted] was solely based on what he could do to assist authorized CIA programs?

A Yes.

Q He was not taken on for any other purpose?

A He was not taken on for any other purpose other than that he was an outstanding officer.

Q Do you have any reason to believe that when [redacted] was located [redacted] that he engaged in activities that were outside his official CIA mission?

A No.

Q Specifically, do you have any reason to believe that [redacted] provided what could be characterized as military training to the contras?

A The only training that [redacted] provided was in accordance with the agreement [redacted]

[redacted]

Q But no training that you would characterize as military?

A No.

Q Let's say involving traditional military skills, such as marksmanship, tactical planning, things of that nature?

A No.

Q Okay. At this point let us move to another issue that we've already explored. This concerns helicopters. There is an allegation that you may have heard of from one Ian Crawford concerning an incident upon which Crawford alleges that a CIA helicopter carried C-4 plastic explosive to a forward operating area of the contras. Are you aware of that allegation?

A I am aware of that allegation.

Q How did you become aware of that allegation?

A From the newspaper article on the individual's reported story.

Q So that would have been a few weeks ago?

A A little bit more, I think.

Q To the best of your knowledge did that incident occur?

A To the best of my knowledge that incident did not occur.

Q What was the CIA's or the station's policy concerning the use of its helicopters at that time by the FDN?

A Well, if we were moving from one place to another, for instance out of Yamales coming back and there was someone wounded, we would bring him back with us. If on a space-available basis someone wanted to go down, we would put them on the aircraft and let them come down with us. But we were not supporting the FDN in any way.

[redacted]

[redacted]

[redacted]

Q What was the policy of the station or the base, to the extent that you are aware of it, concerning use, let's say collateral use of those flights by the FDN? Let me make this more specific.

Were FDN personnel permitted on board the helicopters?

A On a space-available basis, they were allowed on.

Q Was cargo permitted on board the helicopters?

A Yes. If we were moving cargo up, we'd put cargo on board, yes.

Q Was there a policy to check or inventory the cargo that was placed on CIA helicopters by the FDN?

A Couldn't do it in every instance. It was just impossible.

Q Well, was there a policy to do so?

A I mean actual policy? We were not supposed to carry any lethal material.

Q How was that policy implemented? Was there any inspection of cargoes that were loaded by the FDN?

A There should be inspections of cargo, but, like I say, that's impossible to do in every instance.

Q My understanding of Crawford's allegations are that the incident is said to have occurred in a period of rather frantic activity by the FDN, during a Sandinista incursion. Is that your understanding?

A No. My understanding is that he flew [redacted] with 2,000 pounds of plastic explosive on a helicopter. From what I can determine, the FDN didn't have that amount of C-4. They didn't have plastic explosive. The helicopter couldn't carry that much, and there were no troops [redacted] to receive it. So what he's talking about does not fit into anything that I can nail it down to.

Also, that helicopter could have been the helicopter that the FDN has. It looks the same.

Q Regardless of the FDN's purposes and supplies, however, there would be no way to guarantee that such cargo would not have been loaded on the helicopter?

A Absolutely guarantee? A 2,000-pound load would turn the pilot green if it was one of ours.

Q Have you ever discussed with anyone how much cargo might be loaded without anyone noticing?

A I think that the pilot would keep a pretty close tab on weights, and he can certainly tell when he checks his --

Q Throttle?

A And he gets his pounds and stuff. He knows if he's overloaded. He can feel it.

Q Crawford also alleges that a CIA officer [redacted] was involved in this episode. Have you discussed this matter with [redacted]

A Yes, I have discussed this matter with [redacted]

Q What is his statement? What did he tell you concerning whether he had given Crawford permission to fly on the helicopter?

A Well, I recall he did not give Crawford permission to fly on any of our helicopters. That's not to say Crawford didn't go out and jump on a helicopter. The original allegation had [redacted] on the helicopter flying the helicopter, and he did not fly a helicopter. And into Nicaragua. We've never flown a helicopter into Nicaragua. Mike does not fly a helicopter and he has never attempted to fly a helicopter into Nicaragua.

Q Would it have been possible for [redacted] to have been in the co-pilot's seat of the helicopter? Would CIA officers who were not pilots themselves occasionally take the co-pilot's seat?

A Occasionally.

Q And from that seat it would be possible for neither the pilot nor the person in the co-pilot's seat-- it would be possible that they would not be able to observe a cargo that was loaded on the helicopter; is that true?

A Well, all you have to do is just turn your head. I mean, there's nothing that blocks your view from that seat. You can turn and look at see what's going on on board. Now you don't know what's in some of the boxes perhaps, but with at least two individuals -- that would be [redacted] and this fellow -- and 2,000 pounds I don't know any of our pilots who would do that.

Q But, at any rate, it's your understanding that it would have been fairly easy to observe the contents, to the extent they were labeled or clearly identifiable?

A I don't know. It's difficult. You just don't know what packages are there. It might be wrapped in paper. It might be sacked.

Q What other steps did you take in the aftermath of this report to assure yourself that this incident had not occurred?

A I went and asked everyone we could. We checked with the FDN. We checked and tried to find out if any flights had been flown down there during that period, and we couldn't come up with any.

Q Were all pilots who could have been assigned during that period interviewed?

A I can't assure that because we have pilots changing constantly, and I don't know the exact time frame that that occurred.

[redacted]

Q I see. So if the allegations had concerned a particular period of time, let's say April of '86, which I believe --

A Did it say April of '86?

Q I believe that's the allegation. I don't have it with me. [redacted]

Q To your knowledge, has any effort been made to interview any individuals who are identified as having been CIA helicopter pilots in-country at that time?

A No, not that I know of.

Q At any rate, while it might be possible for the FDN, for an individual to go upon a CIA helicopter unobserved, a non-FDN individual, and for the FDN to load cargo, you believe, based on your policy, that such a flight would not been into Nicaragua?

A Such a flight, as far as we're concerned, would not be into Nicaragua, that's correct.

Q Are there strict instructions regarding the use of CIA helicopters that prevent them from crossing the border?

A Yes, there are.

Q Okay. Enough on that. Let's now proceed to another one of our big issues -- the contacts that may have occurred between CIA personnel and the private benefactor air crews [redacted] It's our understanding that throughout most of, let's say, the past year the two CIA officers assigned [redacted] were called [redacted] and [redacted]

A [redacted] and [redacted]

Q That was and [redacted]

A That's correct.

Q It's further our understanding that [redacted] [redacted] maintained a residence, although both of them would not always be present [redacted] at the same time [redacted] [redacted] the private air crews that were making flights into Nicaragua.

A Yes.

Q Did either [redacted] ever approach you or any of your subordinates who were in the line of command to raise issues concerning the contacts that they believed were unavoidable in that situation?

A Yes. They raised those questions with [redacted]

Q And what were the instructions he issued?

A Their instructions were the instructions that I gave them and which were reiterated later on, that they should stay away from the private benefactors and should not have anything to do with them. It was very difficult [redacted]

You've been to [redacted]

Q I haven't had the pleasure.

A You haven't had the pleasure. Anyway --

Q I'm the only one on Capitol Hill who has not had the pleasure.

A You're not missing much. It's a very restricted environment, and I'm not sure, frankly, how often they were there, how much time the private benefactors spent there.

Q Have you discussed with [redacted] any advice or other assistance that they may have provided to the private benefactor air crews?

A Yes.

Q What is your understanding concerning the contacts that they had?

A My understanding was as part of the intel exchange we would pass to the FDN information on air order of battle in Nicaragua which they used for their own flights [redacted] and also they would brief the private benefactor.

Q I'm sorry. "They" in this case meaning the FDN?

A The FDN, yes. The FDN would brief the private benefactor pilots. [redacted] And I understand that they from time to time came in and looked at his board, his map, which basically was the same as the FDN map, which was the same as the FDN map.

Q So it's your understanding that the oral briefing provided by [redacted] was it just [redacted]

A As far as I know.

Q Have you also interviewed [redacted] on that point?

A Yes, we have, but I don't recall -- I didn't personally talk [redacted] about it.

Q So you believe the oral briefing was essentially only a confirmation of the more extensive briefings which had been provided to the FDN?

A Yes.

[redacted]

[redacted]

Q I wanted to raise one other issue. It's our understanding that Clair George made a trip to Central America [redacted] is that correct?

A That is correct.

Q Did Mr. George visit [redacted]

A Yes, he did.

Q Did he discuss this matter, namely contacts with the private benefactor air crews, with personnel at [redacted]

A He talked to [redacted] about it. [redacted] talked to him about it.

Q Were you present during this conversation?

A For a portion of it.

Q What was your understanding of the conversation?

A Well, the portion that I came up on, Clair was saying to [redacted] just everything you have [redacted] [redacted] the IG [redacted] you just tell them the whole story. And that was the only part of it I heard.

Q Was there also a discussion with respect to the contacts with the air crews, namely the maps?

A I think so. I can't say. I don't know. I mean, what I heard when I walked up was Clair saying, [redacted] you know, just tell exactly what you've told me. Tell the inspectors.

Q Were you a participant in any discussion by Mr. George with [redacted] concerning the helicopter incident that we discussed earlier?

A I don't recall, frankly.

Q Did you yourself discuss with Clair George this incident while he was in country?

A I may very well have, but I don't recall the conversation.

Q Returning to the helicopter for a moment, in view of the fact of the possibility that certain cargoes might be located on a CIA helicopter and there was no systematic inspection of cargoes, is it then possible that there might have been widespread use of CIA helicopters to deliver limited quantities of lethal assistance?

A Widespread use? No, I don't think so.

Q How widespread could the use be?

A I can't tell you. I mean, I don't know. There was not that many flights, frankly. And most flights would have people on board, and if we had an officer on board they certainly wouldn't put anything, let anything on board like that.

Q There would be a CIA officer on board every flight in the person of the pilot; isn't that correct?

A That's true. But the pilot has many things he's got to worry about.

Q Was it common practice also to have a second CIA officer on board?

A Common practice? Usually he'd be flying the CIA officer somewhere.

Q So except for occasions on which the helicopter was flying empty of CIA personnel or cargo, there would commonly be a CIA officer?

A Yes, I would think so, yes.

Q In view of the fact that there was no particular procedure for checking cargo, might it be possible that such an incident may have been repeated in other circumstances?

MS. MC GINN: That's a rather speculative question.

THE WITNESS: I don't know. I really don't know.

BY MR. FINN: (Resuming)

Q Agreed. Anyway, you will admit that there was no procedure under which cargo was inspected on these helicopters?

A Cargo was inspected on these helicopters, that they could sneak something on board? I can't look in every man's rucksack. I can't look in every bag that comes on. [redacted]

Q Would CIA personnel who were passengers or crew of these helicopters receive specific instructions not to permit lethal -- quantities of lethal supplies on board?

A Yes.

Q I take it the FDN individuals were permitted to take their personal weapons.

A Yes, they would have their personal.

Q It would have been a violation of policy for a CIA officer, therefore, on such a flight to observe lethal assistance that was not a personal weapon on board and not to object to its inclusion in the cargo?

A It depends what it was for.

Q Could you elaborate on that?

A Okay. Suppose we were taking materiel from [redacted] to [redacted] Suppose we're bringing something down for [redacted]

[redacted] I think that would be allowed.

Q You are saying that a limited quantity of lethal material might be permitted when the helicopters were going to, let's say, an undefended, hazardous [redacted] area?

A No. If they were going to a place where security is required [redacted]

Q Were any specific guidelines or instructions formulated concerning how much lethal equipment could be brought [redacted]?

A No.

Q So it was generally permitted to take lethal equipment to [redacted]?

A To [redacted]

Q So you are saying, my interpretation of what you are saying is that lethal equipment would be permitted to be carried to [redacted] providing it was defensive?

A If it was a defensive thing for a place where an American is going to be, okay, where Americans go and visit, where Americans have to [redacted] or make sure machinery is working right, I would say yes, we could do that.

[redacted]

[redacted]

Q If we may, at this point let's just review again some of the contacts you may have had with some of our leading players in this drama. You mentioned that you contacted Ollie North, had a meeting with Ollie North on the occasion of seeking a commendation for [redacted]

A Yes.

Q I believe you mentioned on a previous occasion to me that you had one other meeting of a personal nature.

A I have had a couple of meetings with Ollie of a personal nature.

Q But none of those involved anything related to contra assistance?

A No.

Q Can you say generally when those occurred?

A '85, early '86, something along those lines.

Q In addition you met North in connection with the [redacted] meeting, [redacted] in August of '84?

A August of '84, and also [redacted].

Q What was the occasion [redacted]?

A We had the visit [redacted]

Q I believe also North may have visited [redacted] in December of '85. Did you see him then?

A Is that [redacted]?

Q No. I believe it was a visit of North [redacted]

A No, no. The only time I saw him at [redacted] was when [redacted]. That's where the meetings were.

Q So that was, I believe, December 11 of '85?

A I don't know what the date was. That sounds reasonable.

Q Were you aware that there was a follow-up [redacted]

A I don't remember it.

Q Can you reconstruct, to the best of your recollection, the visits by C/CATF [redacted] I presume he would commonly come [redacted]

A He would come on those visits [redacted] everyone who played a leading role in Central America.

Q Did he also pay visits by himself or with other CIA staff?

A He has been [redacted] by himself, yes.

Q Do you recall a trip [redacted] by C/CATF [redacted] in connection with trips elsewhere in the region in the spring of '86?

A No. I mean, I'm sure there were trips.

Q Do you recall a trip in that time period in which C/CATF [redacted] was [redacted] but called over to [redacted] or at any rate proceeded to [redacted]

A Um-hum. I've heard of that trip.

Q You have no recollection of it as such?

A No, I don't.

Q Richard Secord. What knowledge do you have of this individual?

A Oh, I knew Richard Secord for a number of years.

Q Let's say after 1984, the beginning of 1984.

Have you seen Secord?

A Yes. I saw Secord in '84. I think it was in '84.

Q What was the nature of that contact?

A Well, I ran into him. I'm not sure how it occurred. But he invited me to stop by his place for a cup of coffee. I'm not sure if it was '84 or '85. And I did.

Q That was his home?

A Yes.

Q Did he have any specific reason to see you at that time?

A It was more just shooting the breeze, as I recall.

Q Did he make any statements, to your recollection, that would indicate that he was involved in private support to the contras?

A No.

Q Did he give you any reason to believe that he sought something or sought some assistance from you with respect to that?

A No. No, sir.

Q Have you seen Secord since that time?

A No, I have not.

Q Thomas Clines. Have you known Mr. Clines?

A Yes.

Q This is, once again, in previous CIA service?

A Yes. We served together [redacted]

Q When is the last time you saw Mr. Clines?

A It was at Secord's house.

Q At that same function?

A Yes.

Q Did Secord or Clines explain why they were together at that time?

A No, they did not.

Q Was this a family function?

A It was just in the morning.

Q Just the three of you?

A And Secord's wife.

Q Did Clines give you any reason to believe that he was involved in Central American-related things?

A No.

Q Did he seek any assistance from you?

A No, he did not.

Q Did you put any special significance on the fact that Secord had invited you in this time period over to coffee at his home with Clines?

A No. We lived in the same neighborhood. Actually I had seen him from time to time, you know, in the Safeway or the Giant.

Q Do you recall the nature of the discussion you did have at that time?

A No, I don't. It was just a general how are you doing type of thing. Have a cup of coffee.

Q How long did that last?

A Forty-five minutes, an hour at the most.

Q Can you be slightly more specific on the dates? In the early '85 time frame?

A I really don't know what the dates were.

[redacted]

Q June of '84. Was it sometime long after that?

A No, I don't think so.

Q It would have been in the period, let's say, when the program was winding down or had wound down?

A Winding down or had wound down, yes.

Q Rob Owen. Are you familiar with that individual?

A Yes.

Q Have you met him a number of times?

A No.

Q Can you recall the times in which you did meet him?

A I met him once [redacted]

Q One time only, to your recollection?

A One time only, to my recollection.

Q How did he come to your attention?

A He was working for NHAO and was working with the Indians on building a hospital [redacted]

Q Did he come in to your office on his own initiative or was he brought in by someone?

A I don't recall how it happened, frankly. He was [redacted] on official business and I was introduced to him.

Q Do you recall any other references to Owen in the cable traffic or in other ways concerning [redacted] [redacted] support for his activities in connection with NHAO?

A No.

Q Bob Dutton. Do you know Mr. Dutton?

A (Nods in the negative.)

Q Never met Mr. Dutton?

A To the best of my recollection I've never met Mr. Dutton.

Q That's always safe to add. Richard Gadd. Have you met Gadd?

A To the best of my recollection I've never met Mr. Gadd.

Q You stated that you knew Felix Rodriguez [redacted]

[redacted]

A Yes.

Q Have you seen him at any time since [redacted]

A No.

Q Have you met Mr. Rafael Quintero?

A No, to the best of my recollection.

Q Sometimes called Chi-Chi Quintero?

A No.

Q You stated in your previous interview that you were not in possession of a KL-43 communications device; is that true?

A That's true. I have no and have not had a KL-43 communications device.

Q What is your understanding of CIA policy concerning communications using such devices?

A Verboten.

Q Have you seen an approval from anyone to have or use such a device?

A I have not.

Q Including the Director?

A I have not, no, including the Director.

Q I believe you were the fortunate recipient of an intelligence award last year; is that correct?

A Yes, I was.

[redacted]

Q You have no reason to believe that this award was issued for any support you may have -- let's say unauthorized support you may have conducted for the contras?

A No.

Q Thank you.

At this point I'd like to ask you some

questions about just a few cables.

A Okay.

Q Or most of which appear to be cables. And I'd just like to get your comments on a few of them. Actually the first item here is not a cable. I have a document here that I'd like the transcriber to mark as [redacted] Exhibit 1.

(The document referred to was marked [redacted] Exhibit Number 1 for identification.)

This is not written by you, and I apologize for the quality of the reproduction. Let me call your attention to the second paragraph, and this is what we believe, for your information, to be a so-called PROF note by Ollie North to, I believe, Admiral Poindexter, although the recipient is not clear.

In the middle of the second paragraph, let me read it to you since the quality is so poor --

A Okay.

Q There is a discussion in that paragraph [redacted]

A When is this?

Q The note is written in September of '85.

A I see.

Q At any rate, North says in this note or appears to say the following: [redacted] Did [redacted] ever approach you for that purpose?

A Negative.

Q Do you recall this incident [redacted]

A [redacted] There would be no reason for him to talk to [redacted]

[redacted]

Q I'm only bringing this to your attention since you are mentioned. You have the fortune or misfortune to be mentioned in that particular PROF note. You will also be relieved to hear that's the only one I can find.

I give you another document which appears to be a cable. It's what appears to be a fragment of a cable, and I ask the transcriber to mark that as [redacted] Exhibit Number 2.

(The document referred to was marked [redacted] Exhibit Number 2 for identification.)

This appears to be a fragment of a cable from [redacted] on October 28 of '85, and if you look at paragraph C there the first sentence states, I believe -- correct me if I'm wrong -- "the word from all Washington sources until ref" -- which I believe is another cable -- "was that reimbursement for air drops of humanitarian assistance inside Nicaragua was, repeat was, within NHAO charter and would be approved."

Do you recall this cable?

A No. Frankly, I don't.

Q Is this cable, to the best of your knowledge, accurate in saying that the decision was made in this time frame, October '85, not to pay by NHAO for flights into Nicaragua [redacted]

(Pause.)

Do you agree that this cable appears to indicate that you, or at least [redacted] believed at some point that NHAO would pay for flights into Nicaragua [redacted] and a decision was made on or about this point, October of '85, not to go ahead with that?

A Um-hum.

Q Do you have any further recollection of this?

A Frankly, I do not.

Q Do you agree that it appears to be accurate?

A That's what it appears to say, yes.

Q So you don't remember any time in which [redacted] was planning for or assuming in this period, which is under the humanitarian program, that the humanitarian program would pay for flights into Nicaragua?

A That's correct.

Q Let me bring your attention to another cable which I'll ask the transcriber to mark as [redacted] Exhibit 3.

(The document referred to was marked [redacted] Exhibit Number 3 for identification.)

This one also appears to be a cable, a copy of a cable from [redacted] November 22 of '85. If you will look at the second page of this document concerning air activities -- now this is in November of '85 -- there is a discussion here of procurement of a C-123 aircraft by the FDN. Do you have any recollection of this arrangement?

A Where does this say this now? Oh, down on the bottom.

Q The second full paragraph of paragraph C.

(Pause.)

Do you recall this cable?

A No.

Q This cable would appear to indicate that the specific C-123 aircraft was already under consideration at that time by the FDN. Does that trigger your recollection?

A It may be, but it does not trigger me any recollection now.

Q Do you have any reason to believe this aircraft was one of the aircraft that was later used by the private benefactor organization?

A No.

Q You have no further recollection of the FDN planning for procurement of such air services by a C-123 aircraft?

A No. I'm sorry. I don't.

Q Would you agree with me that the way the cable is drafted it would appear that the specific aircraft had already been under consideration? I call your attention to the phrase "if the FDN can procure the C-123 aircraft, as now planned".

A I would not read it that way, though. I would read it as a C-123. I wouldn't see any particular. The C-123 as just being any C-123.

Q I see. And the phrase "as now planned" just refers to any C-123 that they may be able to obtain?

A That's correct. It also may be a minor point, but this is a C-123 and the other is a C-123K, which is a much different aircraft.

Q Would this be an aircraft of choice for this sort of operation, a C-123 or C-123K, for that matter?

A Well, I don't know. It depends, you know, on personal -- through the FDN. You know, it depends what's available.

Q Are there a lot of these aircraft in circulation?

A I would doubt it, frankly.

Q What is the origin of this aircraft? Is it a U.S. military aircraft originally?

A (Nods in the affirmative.)

Q Developed in connection with the Vietnam period?

A I think it was before Vietnam. It goes back a long way. It's sort of a small C-130.

Q But even despite the fact that there aren't too many around you don't recall any specific aircraft or firm being under consideration by the FDN?

A No. The thing is, I recall back in that time the FDN was getting all sorts of offers, people who were going to provide aircraft for certain amounts of money, a number of which I think were not valid.

Q I call your attention to one further statement in that cable before we're finished. It's the last sentence, just before the number 3, about four-fifths, I guess, of the way down the page. It provides further information about the C-123 and says: "The C-123s are to come from outside the country and parent firm unknown locally."

I would suggest that that appears to indicate that [redacted] had some further information about the C-123. Does that trigger any recollection?

A No, it does not.

Q I bring another cable to your attention -- and this is more painful for me than it is for you because I had to read all these things the first time at CIA and the second time in our own system trying to find them, since they keep changing the numbers on me.

I would ask the transcriber to label this one [redacted] Exhibit 4.

(The document referred to was marked [redacted] Exhibit Number 4 for identification.)

This is a copy of a cable [redacted] [redacted] on 5 November 85. Perhaps you could read the first paragraph of this cable.

(Pause.)

Am I correct in assuming that [redacted] is Calero?

A Yes.

Q Would you agree with me that this paragraph seems to indicate that Calero has had contact with someone in Washington concerning humanitarian deliveries and was advised that a Mr. Olmstead would have some role in this?

A That's the way it reads.

Q There is a further sentence, further clause, that indicates that Olmstead will be communicating via CIA channels. Is that accurate?

A That's what it says.

Q Have you ever met this Olmstead?

A No, I have not.

Q Have you ever met anyone you suspected was Mr. Olmstead or was passing himself to be Mr. Olmstead?

A No.

Q Did the communication referred to in this cable occur through CIA channels?

A Not that I recall. I would assume this would be going back to -- well, humanitarian assistance.

[redacted]

Q Do you recall this incident?

A I don't recall this incident at all.

Q Did you have any reason to believe at this time that individuals outside the U.S. Government were about to play a role in the conduct of the humanitarian assistance program?

A No.

Q At any rate, despite this mention you have no further information concerning Olmstead's activities -- any communications that may have occurred or the like?

A No, I have no idea who Olmstead is.

Q And looking at this cable now you don't have

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any additional recollection concerning what Calero expected from Olmstead in terms of information or services?

A No, sir.

Q All right. Let's go on to the next one then. This one is on a slightly different subject. I'll ask the transcriber to label this folder as [redacted] Exhibit 5.

(The document referred to was marked [redacted] Exhibit Number 5 for identification.)

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[redacted]

Q Did the discussions include discussion of the possibility that NHAO flights [redacted] could be resumed in support of the resistance?

A As I recall, that was the reason [redacted]

Q Was there also a discussion of permitting the FDN to resume its own support flights into Nicaragua [redacted]

A I don't recall that.

Q I draw your attention to paragraph 5(a) on the second page of this document, in which you or the writer of the cable states that restrictions on NHAO flights are not the most immediately pressing obstacle, that the most serious one is the restriction on resupply flights into Nicaragua.

A These were NHAO flights, too, right, or NHAO-paid-for flights?

Q Well, I don't know. I believe you said earlier in this interview that you weren't aware that NHAO was paying for flights into Nicaragua.

A I was not until I read this. I thought this said something or one of the cables talked about [redacted] and [redacted] was the FDN-chartered aircraft.

Q Actually it would appear to me that this sentence, these two sentences, beginning after paragraph 5(a) seem to indicate that a greater concern than the NHAO flights were the other flights, whether they be NHAO or otherwise, which were being sent into Nicaragua [redacted] Is that your understanding of the situation?

A I don't know.

MS. MC GINN: Why don't you read the whole cable? It might give you a better idea.

(Pause.)

THE WITNESS: Okay.

BY MR. FINN: (Resuming)

Q It would appear to me that in this document, in which you or someone under your authority [redacted] is discussing issues that would arise [redacted] One of the issues that will come up for discussion is the issue concerning whether [redacted] the FDN or someone to mount flights [redacted] into Nicaragua to resupply FDN units; is that correct?

A That's correct.

Q You stated just before, I believe, that you recalled the primary reason [redacted] was to resume the NHAO flights [redacted] from the U.S.

A Um-hum.

Q Do you now also recall that there was discussion of the issue concerning whether [redacted] [redacted] some flights to be launched [redacted] into Nicaragua?

A No, I don't.

Q Would you agree that it would appear, based on this, that you were certainly planning for a discussion of that issue?

A Yes.

Q But you can't recall the issue came up?

A I can't recall the issue came up, no.

[redacted]

[redacted]

Q Now you will agree that there was a problem in getting [redacted] these flights to resume at this point?

A Okay. This is the FDN [redacted]

Q I don't know what aircraft is being referred to, but some flights [redacted]

A If you're reading this in the current situation, in which drops are performed by a commercial firm with a local representative, that is the FDN [redacted]

Q Okay. So you do recall that there was a problem [redacted] letting the FDN resume its [redacted] deliveries?

A I don't recall that, but that is the aircraft they are discussing here [redacted] which belonged to [redacted] or he was the representative.

[redacted]

Q I presume the matters described in this cable were policy matters of some importance.

A Um-hum.

Q Would you usually become aware of such issues [redacted] had raised such important concerns?

A Well, it was sent to me [redacted]

Q You believe you did read it?

A I'm sure I did. I read all the traffic. If I'm not there, I read it when I get back, so I would have read this. It's 1985. It's just too far back for me.

Q So you would agree that this cable seems to indicate that [redacted] had anyway heard [redacted] concerns about the flights into Nicaragua by the FDN?

A Yes. There were concerns at this particular time, for whatever reason I don't know. I mean, we have to be looking for other cables and put this all together in a complete package. This is also an intelligence report out on this, too. So that reading this one cable, to get the full picture you'd have to see the whole thing. You don't have those others?

Q No, I don't have them.

At any rate, regardless of the fact that these issues were being floated [redacted] you can't recall any discussion [redacted] of the resumption of the FDN flights into

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Nicaragua?

A No, I don't recall it.

Q To the best of your recollection [redacted] related solely to the resumption of the NHAO flights into country?

A That's right.

Q Do you recall any discussion [redacted]

A No, I don't recall that. I think by that time there was no way [redacted] -- I mean, that wouldn't have worked. I don't see how it could have worked.

Q So you don't think there would have been a plan [redacted]

A I don't recall that. There may have been a plan at one time, but I certainly don't recall that from this meeting.

Q Let me show you the next set of cables. I will ask the transcriber to mark them as [redacted] Exhibit 6.

(The document referred to was

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marked [redacted] Exhibit Number 6 for identification.)

MS. MC GINN: I'll ask the witness to review the entire cable, please.

MR. FINN: While there is a lengthy package at this point, shall we have a short break?

(A brief recess was taken.)

[redacted]

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[redacted]

Q Now this cable is not specific on the issue of what flights are in question. Is it your understanding that this solely relates to the NHAO flights, or does this also relate to FDN flight activities which we discussed earlier?

A I don't know, frankly.

[redacted]

Q Let me call your attention, then, to the final cable in this set, which is from CIA headquarters addressed [redacted] on a priority basis. This is Director 665928. In summary this cable appears to indicate that whatever plan that may have been under consideration [redacted] had been put aside and a decision was perhaps wisely made to forego that option.

Is that your reading of this cable?

A Yes.

Q Do these cables change your recollection of whether there was some discussion [redacted] of which you have some knowledge concerning the proposal to start NHAO flights again [redacted]

A No, I don't recall that.

Q Even reading these cables you still can't recall it?

A Even reading those cables, no.

Q You would agree, though, the cables appear to indicate that such an effort was made?

A Yes, it appears that such an effort was made.

Q Let me give you another compilation of cables. I'll ask the transcriber to call this [redacted] Exhibit

Number 7.

(The document referred to was marked [redacted] Exhibit Number 7 for identification.)

It's basically two cables. The first is substantive and the second provides the identities, appears to provide the identities of the individuals in the first.

A Okay.

Q To the best of your knowledge did this follow-up team referred to in the cable, [redacted] actually visit [redacted]

A I don't recall their coming, no.

Q Do you agree that the team which is indicated here appears to include Deputy Assistant Secretary of State Bill Walker, Lieutenant Colonel North from NSC, and an individual named Chris Arcos from the NHAO office?

A Yes.

Q Reference is also made to an individual c/CATF identified as [redacted] who I believe to be [redacted] is that correct?

A That's correct.

Q I'm learning. You do not recall whether this visit was actually made?

A No.

Q You therefore do not recall whether you were present in any discussions that this team may have had [redacted]

A No. I was on family visitation, I believe, at that time.

Q Does this cable trigger any recollection concerning what the subject for discussion was at this time?

A No, it does not.

Q It probably would be useful to recall that [redacted] there was a discussion of plan to resume assistance, some form of flights, perhaps NHAO flights, but ultimately approval [redacted] was sought but that approval would not be forthcoming until a briefing was conducted. It would appear that this cable describes the arrangements for that briefing to be made.

Do you agree that that appears to be the sequence?

A I don't know, to tell you the truth, if it is or isn't. I believe maybe you can tell me if this visit took place.

Q I'm sorry. I have no information on that.

A I don't think it did, because I don't recall them coming down like that or going to [redacted] The only visit I recall being at [redacted] was the one that we previously discussed.

Q Do you recall any other visit with other arrangements or another time in which a team like this one would have conducted that briefing that was requested [redacted]

A I don't recall that.

[redacted]

Q Okay. Now on a different subject, back to the various flights themselves, I would show you another exhibit which I would ask the transcriber to identify as [redacted] Exhibit Number 8.

(The document referred to was marked [redacted] Exhibit Number 8 for identification.)

This appears to be a cable from the [redacted]

(Pause.)

A Okay.

Q I think perhaps we should just go through this paragraph by paragraph since I, for one, and perhaps you, have difficulty figuring out which exact flights are referred to in the various paragraphs. I'm sorry also that I do not have the cable which is referred to in this cable.

At any rate, paragraph one appears to indicate that flights were planned for the 25th of February of '86, which I presume to be NHAO flights, which were going to be required to stop [redacted] prior to proceeding to [redacted] Is that your interpretation of paragraph one?

A That's what it appears to say, yes.

[redacted]

Q This stop in [redacted] which is described appears to indicate that there would be no pick-up of material [redacted] Do you recall any further specifics of the flight in question?

A Well, no. I don't recall the flights, frankly.

[redacted]

Q When flights of this nature originated in the United States and went [redacted] and landed, was there further supply activity that you are aware of?

A No.

Q Do you recall when flights of this nature arrived [redacted] based on the intelligence reports that you received [redacted] whether they also contained lethal assistance?

A I don't recall.

Q I point your attention in paragraph two to the aircraft route, which is somewhat unusual [redacted]

The reference to [redacted] I suspect is a reference to a drop or a loiter time over Nicaragua; would that be correct?

A I don't read it that way at all.

Q So you believe the aircraft actually went to [redacted]

A Yes. They had materiel that they bought [redacted] [redacted]

Q Do you recall what that was?

A Boots, uniforms.

Q Were there any lethal supplies coming [redacted] [redacted] at that time?

A I don't know. I don't know of any lethal supplies [redacted] that came via air, no.

Q This would appear to be a NHAO-supported flight. Would NHAO pay the leg to [redacted] and return [redacted]

A I don't know.

Q Do you agree that the flight route seems rather odd [redacted] What would explain that routing?

A I don't know, [redacted]

[redacted]

Q So you mean the aircraft, even returning from [redacted]

A Would have to stop [redacted] yes.

Q Paragraph three makes a reference to [redacted] aircraft, which was apparently associated with the FDN. Is this the aircraft in question or is this a different aircraft?

A I think at this time the only aircraft I knew about is [redacted] aircraft.

Q You believe the flights discussed in the first two paragraphs also involved that aircraft?

A No. Might be, but I don't know.

Q It would be unlikely, wouldn't it, for [redacted] to fly to CONUS?

A To the States.

Q Anyway, it would appear from this that in February of '86 [redacted] was quite aware that there was an issue concerning getting the lethal materials over from [redacted] at least aware that the FDN was making arrangements to do that, based on paragraph three.

A You mean the FDN would remove those lethal materials [redacted]

Q That's correct.

A Um-hum.

Q Paragraph four is the first reference I see to the Caribou. Does this trigger a recollection of when the Caribou arrived on the scene?

A No.

Q Do you agree that this would appear to indicate that in February of last year [redacted] was aware that the third country crews were being sought for Caribou aircraft and that these crews would conduct drops, or it was planned that these crews would conduct drops into Nicaragua?

A It looks that way from here, but you'd have to look at the reference and see what the reference said. This isn't coming out of the blue like this. Obviously it refers to this cable.

Q The last sentence of paragraph four your station asks that the Director, I presume headquarters, if not [redacted] -- perhaps [redacted] -- to advise on tail number and crew characteristics of the Caribou. Why would they advise [redacted] concerning these matters?

A I don't know. I'd really have to see what we were answering. You really can't take this by itself.

Q I believe you stated earlier that the FDN would arrange for the clearances for flights [redacted]

[redacted]

A To the best of my recollection, yes.

Q Without seeing the other cable, would you say that this appears to indicate that [redacted] was interested in flight clearance information?

A I really don't know.

Q Okay. Let me bring your attention to a few intelligence reports that may have originated [redacted] and ask the transcriber to mark these two intelligence reports as [redacted] Exhibit 9.

(The document referred to was marked [redacted] Exhibit Number 9 for identification.)

A Okay.

Q Would you agree that these appear to be two intelligence reports from February of 1986 which describe flights by L-100 aircraft?

A Yes.

Q Could you identify the FDN [redacted] [redacted] which is mentioned in these reports?

A [redacted] would appear to be [redacted]

Q Is that a term of art or a routine description [redacted]

A I'm not sure, frankly.

Q Are you fairly confident in that identification?

A I would say I was fairly confident, yes.

Q Can you identify [redacted] located as the [redacted] of the FDN?

A That would be [redacted]

Q So with respect to both of these intelligence reports it would appear that an L-100 aircraft twice made flights [redacted] to [redacted]

A Yes.

Q Would you agree that the first report, which is CIA 744315, indicates that that aircraft delivered a certain quantity, less than ten percent, of lethal materiel in addition to its non-lethal cargo?

A That's what the report says, yes.

Q Would you also agree that the report indicates that this was a NHAO-supported flight?

A Yes.

Q What would be the source of this type of information, in your best estimate?

A Well, information of this sort would come from [redacted]

Q So the personnel [redacted] would commonly [redacted] for this flight?

A That's correct.

Q And [redacted] would then, based on this intelligence information, prepare a draft report of some kind on the matter?

A That's correct.

Q The second report, which is CIA 748208, seems to indicate that the same aircraft shortly thereafter made another delivery [redacted] to [redacted]. Do you agree?

A That's correct.

Q If you look at what appears to be a summary [redacted] of that flight, at the bottom of the second paragraph which is on page two, the third item from the end, you will find reference to what I believe to be lethal equipment in the form of 500 boxes of C-4 explosives, 100 boxes containing 7.2 -- I'm sorry, 7,200 M-79 grenades; is that correct?

A That's correct.

Q So you would agree that this flight also contained a certain amount of lethal as well as non-lethal equipment?

A That's correct.

Q I draw your attention in this document, the second document, once again to the first paragraph, which says that [redacted] flight which originally had been scheduled was unable to go, which resulted in the L-100 making this flight. Do you agree that that seems to be true?

A Yes, it is.

Q You had stated earlier, I believe, that [redacted] was operated either by or under contract to the FDN; is that correct?

A That's correct.

Q Do you have any information concerning whether the second L-100 flight mentioned here was supported by NHAO or whether it was also contracted by the FDN?

A I don't know. All I can do is read the report, where on the first one -- now these reports were sent out within two days of each other and on one we say it's chartered by NHAO. On the second one we say it carried for UNO-FDN. But from reading this it would appear we have two separate charters.

Q So you believe that the phraseology indicates that the second flight was not a NHAO-supported flight?

A Yes, sir.

Q Do these cables reflect your understanding of what the policy was regarding the use of NHAO aircraft, that is, that a NHAO delivery [redacted] could pick up lethal equipment [redacted] but that NHAO funds could not be used to make shuttle flights [redacted] to [redacted]

A I'm not sure exactly what the rules were as far as shuttle or passage or what. But there was what they called that ten percent rule, that they could put, if there was space available. But I must say both these are not completely clear. The second one is not completely clear, but it looks that way to me.

Q I certainly agree. In view of the fact that the CIA was chartered or understood its mission to be to assist in the implementation of the NHAO program, wouldn't it be necessary to conduct that mission to understand what NHAO policies were?

A Yes.

Q But still you yourself do not seem to know specifically what the policy was with respect to NHAO.

A Not after this time difference. After the time that this occurred, I'm sorry, I just don't remember it. At the time I would have known what it was, but I'm sorry I no longer recall.

Q So you would say that you were prepared to monitor NHAO flights at the time they were occurring and had an understanding of the relevant policies?

A I had an understanding of the relevant policies. I don't know what you mean by "monitoring the NHAO flights". I was not responsible for NHAO flights, but any material that was brought in we would report on.

Q If the information available to you had indicated an anomaly with respect to the use of NHAO funds, would you also report that anomaly?

A That would have been reported via the two individuals who came down. Any time there was an anomaly, they would report.

Q So your understanding of the CIA mission was that CIA essentially [redacted] reported them back but did not itself try to monitor NHAO policy?

A I don't know what you're getting at there.

Q I'm just trying to find the role of [redacted] with respect to the NHAO flights.

A I was not checking to see if NHAO was following every letter. That's not my job. My job was to ensure that NHAO had the flights facilitated to enter into the country, to make sure that materiel was being purchased, to help the individuals that came down from Washington to do that checking. But, I mean, I didn't go and check every flight to make sure everything was absolutely correct, no.

I was not a monitor of another U.S. Government agency.

Q So your role was essentially to provide information to Washington, ultimately to NHAO, that would permit them to implement their program?

A Yes, sir.

Q I'll show you another cable which I'd ask the transcriber to mark as [redacted] Exhibit 10.

(The document referred to was marked [redacted] Exhibit Number 10 for identification.)

This is a cable [redacted] which appears to have been sent [redacted] on March 21 of '86; is that correct?

(Pause.)

A Now what are you asking me about this?

Q I was just asking you to confirm that this is indeed -- this appears to be a copy of a cable [redacted] to [redacted] on March 21 of '86.

A Right.

Q In this cable it would appear that [redacted] is reporting certain arrangements that the FDN is making about a Caribou aircraft flight [redacted]

A Right.

Q I note in the cable, paragraph two, that [redacted] is providing the tail number of the aircraft [redacted] and is promising to send further information on time of arrival and crew.

A Right.

Q Can you tell me why [redacted] would be informing [redacted] in advance of these facts?

A I don't know. [redacted]

Q Nevertheless, there is a reference [redacted] [redacted] in that paragraph.

A Right, there is.

Q It appears to indicate that [redacted] planned to send this information [redacted]

A Um-hum.

Q What would you do with such information if it were sent?

A I don't know, frankly, to tell you the truth.

Q Let's go on to what appears to be a set of cables which I'll ask the transcriber to mark as [redacted] Exhibit 11 and you can take some time to look these over if you wish.

(The document referred to was marked [redacted] Exhibit Number 11 for identification.)

(Pause.)

A Okay.

Q These appear to be a set of cables which relate to events which occurred in April of '86. The first cable would appear to be a cable [redacted]o headquarters and [redacted] on April 24 of '86; is that correct?

A That's correct.

Q Among other things, in paragraph one of this cable it would appear that the aircraft in question was being used to supply lethal equipment, this particular aircraft being a C-123; is that correct -- and [redacted]

A That's correct.

Q In the second paragraph there's also a reference to a Caribou aircraft which appears to be used for the same purposes; is that correct?

A That's correct.

Q The [redacted] also says that if these aircraft were NHAO aircraft it would not be permissible to put lethal assistance on them.

A That's correct.

Q And it asks for headquarter's views on what appears to have been lethal assistance being put on these aircraft; is that correct?

A On what they apparently believe are NHAO aircraft, yes.

Q I draw your attention next to the cable identified as Director 845653 of April 26, 1986. This cable, which was sent in an information copy to your [redacted] indicates that these aircraft were not NHAO-supported aircraft; is that right?

A That's correct.

Q And that therefore there would be no limitation on their use for lethal activities?

A That's correct.

Q With that basis, let's go on to the cable that was sent [redacted] The third cable is cable [redacted] of April 26, 1986. Is this a cable from your [redacted] on that date?

A That's correct.

Q The first paragraph takes note that the aircraft in question, which appear to be the same aircraft discussed in the prior cables, were not NHAO aircraft, were not being supported by NHAO; is that correct?

A That's correct.

Q The second paragraph appears to reflect, the last sentence of the paragraph, that [redacted] the FDN to contact their representative [redacted] and make sure that he does not sent aircraft [redacted] without proper clearance [redacted]

A That's correct.

Q The fourth paragraph appears to indicate that clearances had been a problem, that the crews of the C-7 and C-123 aircraft were pretty much coming and going as they pleased; is that accurate?

A That's accurate.

Q The second full sentence on the second page seems to indicate that [redacted] was notifying [redacted] in the absence of any form of notification by anyone else concerning the arrival of those aircraft; is that accurate?

A That's what it says.

Q Would that be a form, this notification be a form of request for flight clearance [redacted]

A Yes, it would be a form of flight clearance, yes.

Q So it would appear from this, at any rate, that [redacted] with knowledge that the flights were not NHAO flights and contained lethal assistance which is being coordinated by third parties, was nevertheless providing flight clearance support for such flights, at least on an occasional basis?

A I think you're reading into it when you say that.

Q What would your interpretation be?

A My interpretation would be we were getting flight approvals for them, [redacted] until we talked to Chief/NHAO that they were NHAO flights.

Q So you believe at this point you may have believed these to be NHAO flights?

A That's right. See, headquarters has been reporting to the contrary. Chief/NHAO, during a recent visit [redacted] So it would appear to me that we had believed that these were NHAO-contracted aircraft up until very recently, until this cable was written. Okay? And what Chief/NHAO said was, no they're not, but we would pay for them when they carried humanitarian supplies.

Q So your interpretation is that there was a confusion. You had believed these flights to be NHAO flights and then when it became clear that they were not that [redacted] did not --

A That would be my interpretation, yes.

Q How did this confusion arise?

A I don't know. I mean, just reading "while we recognize there has been headquarters reporting to the contrary, he says they are not." So obviously there's been reporting that they were and [redacted] also, from reading this cable, is confused. [redacted] thinks they are NHAO flights because they are saying they carry lethal material, but we have found out from Chief/NHAO that they are not.

So I would assume what happened would be that we were getting approvals for them up until the point we found out that they were not.

Q Correct my recollection, but it seemed to me you said earlier that to the best of your knowledge NHAO was not providing support for such flights and that the only flight clearance that [redacted] was obtaining was for flights from the United States.

A That was the best of my recollection. That's correct.

Q So it now would appear that there was a period in which [redacted] prior to learning that the flights in question were not NHAO flights, was providing some form of flight clearance?

A That's correct.

Q And this was on the basis of a confusion concerning who was sponsoring such flights?

A Apparently, from reading this traffic, that's what it is saying, yes.

Q Would you agree that [redacted] had become aware that those flights did contain lethal equipment?

A Yes. From this traffic, I'd say yes, sure. I'd agree with that.

Q And regardless of the fact that they contained lethal equipment [redacted] was still routinely, on the grounds that they were NHAO flights, was providing flight clearance support?

A No. What we're talking about is a specific instance. From what I read here, it appears we're mixing apples and oranges, that previously from this traffic we had provided clearances for whatever they were carrying. I don't know what that is, having not seen the traffic. But on these flights they have been carrying lethal material. [redacted] is confused and is saying, hey, if this is NHAO stuff, how can we put lethal aid on these NHAO aircraft.

We go back and say look, these don't appear or headquarters says these are not NHAO aircraft. We go back and say, hey, yeah, we've been getting approval for these and Chief/NHAO tells us, contrary to what we have heard from headquarters, that these are not actually NHAO aircraft.

So what appears to have happened was that we were getting approvals until this situation raised its head and everyone looked and said hey, wait a minute. We have something here we don't know what we're dealing with.

Q Now if the flights had continued and some of them were NHAO flights, it would be permissible for [redacted] [redacted] to provide the flight clearance assistance?

A Under my interpretation, yeah.

Q How would you determine if a specific aircraft was a NHAO-supported aircraft?

A I don't know at this juncture in time if NHAO would tell us or what. But the one thing that I would say was that my recollection of this entire operation they never got clearances. They came and went as they pleased.

Q But at some point [redacted] provided clearances, thinking they were NHAO?

A Thinking they were NHAO, yes, early on.

Q Now you said you wouldn't know when the lethal supplies got in there until an aircraft landed; is that correct?

A We usually wouldn't, yes.

Q Unfortunately, you have to obtain flight clearances before an aircraft lands, or at least you are supposed to; is that correct?

A Correct.

Q So it would be entirely possible, it would appear, that if you were notified that a certain flight was on the way you would obtain the clearances and then you would find out on the ground that it just happened to contain lethal and was therefore not a NHAO flight? Could that situation arise?

A I'm not sure if I follow you. In this

situation?

Q I'm just trying to get at there seems to be a difficulty here. [redacted] can provide flight clearance support for NHAO, can't for non-NHAO flights. But you don't tell whether something is a NHAO flight or not until later, when it lands and you find out what's on there.

A We erroneously believed they were NHAO flights until this was brought up, and it was demonstrated that they're not.

Q Do you believe that a significant quantity of lethal assistance was brought in on these flights prior to [redacted] discovering that?

A I don't think so. I don't think there was that much material [redacted] Maybe one, as you say, 707 load, and I don't know how much that is, but some of that was also destined for the south, and I think that material was used to drop to the south.

Q And, at any rate [redacted] only would have conducted this activity believing that it was part of the NHAO program?

A Definitely.

Q So when those supplies ran out and when NHAO wound down [redacted] would not have provided that support?

A That's affirmative.

Q So [redacted] would not have supported private benefactor flights after the NHAO supplies had been exhausted?

A That's right.

Q Can you put an approximate date on that? These cables which discuss --

A I would say about this time.

Q About this time. So, in other words, [redacted] [redacted] terminated its flight clearance support sometime in late April or early May of '86?

A To the best of my recollection.

Q So, just to get this all on track, in a previous exhibit, which was Exhibit 10, a cable from your [redacted] -- I'm sorry. I think I have the wrong one. Try 8; that's it.

As early as February of '86 the Caribou aircraft had appeared on the scene and [redacted] was reporting on their activities.

A Not necessarily. What appears in 8 is the Caribou is mentioned with third country crews. They're talking about something that never turned out, so we don't know what this is. And this is in the dark until someone comes up with what that Director cable is and what it says.

Q I understand that.

A I wouldn't say it was on the scene on 22 February.

Q Nevertheless, from that Exhibit, Exhibit 8, paragraph four, there's already a preparation for obtaining the clearance on the Caribou aircraft; is that right?

A If this is the same -- you are assuming this is the same Caribou. We don't know that.

Q We don't know that. All right. Well, just to the best of your recollection, then, when did the Caribou flight using the same Caribou start and for what period, assuming that [redacted] ceased to provide the flight clearance support in late April? During what period did it provide such support?

A I really don't know. I'd have to look back through the traffic and pull that out. It would just be a guess on my part.

Q I believe earlier you mentioned your theory that the private benefactors essentially came on the scene and started their activities after the NHAO program wound down. This material to me would appear to indicate an overlap and that some small, anyway, quantity of CIA support in the form of flight clearance support was being maintained during the period, let's say, leading up to when the private benefactors became an independent outfit and no longer had NHAO support.

Do you acknowledge that that may have occurred?

A That may have occurred. I don't know, frankly.

Q All right. This next one is very simple to understand. I don't know what it means. We can probably agree what it is. I'd ask the transcriber to label this [redacted] Exhibit 12. It's cable Director 817901 of April of '86.

(The document referred to was marked [redacted] Exhibit Number 12 for identification.)

(Pause.)

As I said, neither of us knows what this means, but what it appears to be is air routes for a flight sponsored by the FDN to the newly-allied commanders on the southern front; is that correct?

A I don't know, frankly. The subject is UNO/FDN lethal drop to NACs.

Q Are the NACs the Newly-Allied Commanders on the southern front?

A I believe so.

Q This would appear to give detailed flight vector information for use in connection with that flight; is that correct?

A That's what it appears to be, yes.

Q Where would such flights originate -- in [redacted]

A I don't know. I would assume. That would have to be an assumption. It would be [redacted]

Q I note that [redacted] is not an addressee, so it would be unlikely that the flight would have occurred [redacted] is that correct?

A That's true. It's very difficult with this traffic when you take one piece of traffic. You have another reference here, the [redacted] cable. Do we know what the [redacted] cable was?

Q Believe me, we have had probably even more difficulty than you have, that we have not been provided, for the most part, most of the references of the cables that we have seen. I recognize your difficulty.

A It says per ref. I don't know what the ref is. [redacted] is asking for this. Now why [redacted] would ask for it, if it's going [redacted] I just don't understand. The cable doesn't make any sense to me. Okay?

Q It appears to be flight vector information from a flight that would originate [redacted] and at [redacted] In all probably it would go to the newly-allied commanders in the southern part of Nicaragua.

A I don't know. Apparently. You're going to have to look at see. You know, if I had a map and I could work out where these locations are, that would give me a better idea where the aircraft was coming from. But I don't recall this cable. It just hits me cold, frankly.

Q So you have not seen flight vector information of this type being provided?

A I don't recall us providing any flight vector information of this kind during this time period, no, frankly.

Q This is something we can independently confirm what the significance of this is.

A Yes.

Q Thank you.

A You're welcome.

Q Let me then at this point draw your attention to what I will ask the transcriber to mark as Exhibit 13, [redacted] Exhibit 13.

(The document referred to was marked [redacted] Exhibit Number 13 for identification.)

You can ignore the marginalia, which I believe was supplied.

(Pause.)

A This is obviously one we sent.

Q You would agree, then, this is a cable from [redacted] dated August 18, 1986?

A That's correct.

Q This cable would appear to encourage [redacted] [redacted] to obtain drop zone information from UNO/SOUTH so that that information could be provided to UNO/NORTH, UNO/FDN, to make a drop by the private benefactor Caribou mentioned.

A Um-hum.

Q You'll notice the marginalia. I believe it was supplied by your crack compliance officer, and you can go beat him for that.

A No, I'm sure we got a cable on this, too, beating us about the head and shoulders.

Q Was it common for [redacted] to in a sense serve as a channel of communication between the contra organizations related to the private resupply flights?

A No.

Q So you cannot recall activities of this nature occurring very often?

A No.

Q But you will say that it appears that [redacted]

[redacted] were rather intimately involved in the transmission of flight and drop zone information?

MS. MC GINN: I object to that question. I think that's a mischaracterization.

THE WITNESS: Yes.

BY MR. FINN: (Resuming)

Q Objection noted.

How would you describe the activity that is occurring?

A I would think here that the FDN came and said exactly what this says, and we sent the cable out without reading it twice -- regretfully. It was a mistake we made. Certainly if we were doing anything illegal we're certainly not going to send out that kind of cable.

Q What's the problem with the cable? Why does the marginal note appear to say that this is not kosher?

A I don't know why he wrote that in there, but it would appear to me that what we're doing is we're trying to get -- we are intervening in the FDN and the southern patriots in providing information to private benefactors. Now the problem the FDN was having with their communications gear, obviously it wasn't working.

Q Would be all right if the private benefactors were not involved? In other words, could you assist the communication process between UNO, FDN and UNO/SOUTH with respect to the allocation of equipment and supplies and flights?

A We wouldn't.

Q You wouldn't do that?

A No.

Q In that case, I'll show you --

A We may have.

Q Let me show you Exhibit [redacted] Number 14, which is another set of cables.

(The document referred to was marked [redacted] Exhibit Number 14 for identification.)

I think you should probably take some time to take a look at these, since there are several of them.

(Pause.)

A Okay.

Q Regretfully again these are not necessarily in sequence and we don't have all the cables which are referred to. At any rate, the first document is identified as [redacted] which, would you agree, appears to be a copy of a cable sent from [redacted] on September 3, 1986?

A That's correct.

Q In paragraph two of that document it appears to ask headquarters whether certain supplies [redacted] are being held for a southern front organization under proper authority.

A Right.

Q The information provided [redacted] is that the gringos, or private benefactors, are holding certain supplies for use by the south. Could you tell me why [redacted] would cable headquarters in order to determine whether materials held by private benefactors [redacted] rightfully belonged to the FDN or UNO/SOUTH?

A As I understand, I don't know if the private benefactors, they may be saying that the private benefactors are holding them. What I would say, that these are NHAO stuff, it looks like.

Q This is September of '86 now.

A Right.

Q NHAO material was still hanging around in September of '86?

A I don't know, but uniforms, boots, panchos and pancho liners would all appear to be NHAO material that was there. I don't know how the situation worked over there, but I frankly don't know why it went this way.

Q But nevertheless the cable does not refer to the NHAO program. It refers to the gringos, the private benefactors.

A That's correct.

Q So you have no explanation of why you would ask headquarters to try to determine whether supplies held by these individuals, the private benefactors, are supposed to be held for the UNO/FDN or UNO/SOUTH?

A Well, I'm not so sure that this is properly worded. I don't know how they would be holding them [redacted]

Q At any rate, the cable indicates [redacted] was aware there was some conflict between the northern and southern forces or was reported to be some conflict between the northern and southern forces concerning the rights to certain material that was being held by the private benefactors [redacted]

A Alleged supplies [redacted] yeah.

Q With that, let's turn to the next cable, which is [redacted] And this appears to be a cable sent from [redacted] on September 4, 1986, to [redacted] with an information copy to headquarters. Is that correct?

A That's correct.

Q I note in the last sentence of the third paragraph that [redacted] is reporting UNO/SOUTH's position that the private benefactors will support its claim to certain material; is that correct?

A Will respect its primacy for equipment and supplies [redacted] That's what it says, yes.

Q In view of the fact that this cable appears to refer to the cable we just finished discussing, would that mean it's discussing the same equipment?

A It appears to be, yes.

Q So that for some reason [redacted] is telling [redacted] that it is relaying to your [redacted] the information that UNO/SOUTH believes it is entitled to certain equipment being held by the private benefactors.

A Well, this one doesn't say that private benefactors are holding it. It just says they will respect its primacy for equipment and supplies stored. I don't know how the situation worked [redacted] frankly.

Q But nevertheless the immediately preceding cable was referred to in this cable.

A Um-hum.

Q Do you conclude that the same supplies are in question or that this is only a more general comment by [redacted]

A Well, looking at the title, the subject, it says [redacted] Supplies, which would be UNO/FDN supplies, what the UNO/FDN had on their books, according to this cable.

Q So would this be the same supplies, do you believe?

A It appears to be the same supplies.

Q That [redacted] in the previous cable indicated were being held for the UNO/SOUTH forces by the private benefactors?

A It appears to me that this one discusses a certain amount, 450 non-lethal type material of each of these, while this one seems to me to refer to all supplies.

Q I see. But there may be some relationship?

A There may be some relationship.

Q Would you agree that this cable [redacted] seems to evince a fairly good understanding of the ability of the private benefactor organization to make air drops in view of the maintenance status of its aircraft?

A I'm not sure I understand your question.

Q Would you agree that this cable seems to say that the private benefactors will be having difficulty getting supplies to UNO/SOUTH because their aircraft are having difficulty, but that one aircraft will become available in the near future?

A That's what it says.

Q In view of the fact that this cable refers to your previous cable, does that mean that [redacted] [redacted] is basically telling you well, this equipment, whatever it is, is being held by the private benefactors [redacted] and regardless of the fact that the FDN would like to get some of it it should continue to be held for the southern forces?

A I'm not sure I agree with you that it is being held for the private benefactors. I don't know how that worked over there. But what there is here is the FDN saying there are 450 pairs of non-lethal material that they carry on their books which the south says belongs to them, and it's going to be dropped in to them.

Q In the previous cable, if I can turn your attention to that again, that seemed to clearly report [redacted] that these supplies were being held by the gringos, the private benefactors.

A I'm not sure what they mean by that, you know. You are going from Spanish into English. "Being held by the gringos for use by the south". I'm not sure what they mean by that.

Q So regardless of the fact that there is a specific reference to the private benefactors in this cable you say that you still don't necessarily realize at this point that supplies were in fact being held by these individuals?

A I don't know what that means, frankly.

Q Let me go on to the next cable here, which is [redacted] Do you have that one?

A Right.

Q This once again appears to be a cable from [redacted] [redacted] to the Director and to [redacted] dated September 6, 1986; is that correct?

A That's correct.

Q I would draw your attention to paragraph six of that cable in which [redacted] appears to be arguing for continued aerial resupply to the southern forces. Is that your interpretation?

A Um-hum. The southern front is trying to get the FDN to drop the materiel.

Q Now I notice there doesn't appear to be any cross reference in this cable.

A Um-hum.

Q It follows the two cables that we have just finished discussing.

A Yeah.

Q Do you agree that the individual sending this cable [redacted] appears to be telling headquarters and you that the FDN should make sure that it continues to supply needed equipment to the southern forces?

A Um-hum.

Q What action is asked from [redacted]

A Action requested for headquarters in [redacted] Please advise UNO/FDN disposition for conducting air drops to the southern front. Please attempt to bring [redacted] situation under control.

Q In that first sentence, advise UNO/FDN disposition for conducting air drops to the southern front, what form of assistance is [redacted] seeking from [redacted] and from headquarters?

A Well, I think what they are asking is, is the FDN going to do it or is the FDN blowing smoke. You see, the fear on the southern front was that the FDN would never support them.

Q The FDN that we are speaking about, did the FDN itself have aircraft which were making air drops to the southern front?

A No. That's what they wanted. They wanted [redacted] to drop to the southern front.

Q In view of the fact that the discussion on the two days previous had involved airlift by the private benefactors, why do you say that the items in question are the items that the FDN would be dropping with its [redacted]

A Because that's what they were trying to get them to do.

Q Did the FDN ever drop supplies to the southern front with [redacted]

A I don't think they got down there. I don't think they could get [redacted] working properly.

Q Are you aware whether drops were made to the southern front [redacted]

A [redacted] said there were.

Q What did [redacted] tell you concerning who made those drops?

A That those drops -- let's see. As I recall, I think the private benefactors were dropping to the southern front.

Q Would you agree, then, that what's referred to in this last cable that we were just discussing [redacted] [redacted] would probably refer to asking headquarters and you to facilitate an FDN decision to have the private benefactors drop goods to the southern front when an aircraft became available?

A I don't think so. I don't read it that way. The way I read it is [redacted] will you tell us in your view was the FDN serious or are they playing games with the southern front.

Q So in your interpretation it's all right -- is [redacted] asking you for more than you to tell them whether FDN is willing to do this, or to actually encourage the FDN to do so?

A Well, they are not asking us to encourage the FDN in the action required. They are asking us for the disposition for conducting air drops to the southern front and, as I said, there appeared to be -- the southern front has always had a lot of suspicions about the FDN.

Q Would it be permissible for you to approach the FDN and make recommendations or encourage the FDN to allocate its supplies in certain ways?

A We could certainly go to the FDN and ask them what they were going to do.

Q That would not be ruled out, though, would it?

A No.

Q If it involved private benefactor aircraft in the supply chain, would that be ruled out?

A I don't know, frankly.

Q So [redacted] -- can you confirm that [redacted] [redacted] would recommend to the FDN and to UNO/SOUTH various dispositions of supplies if a problem arose?

A No. I think you are reading too much into that.

Q Well, then why is [redacted] asking you for a report on the disposition of the FDN?

A They are asking if the FDN is going to do this or not. I mean, you are looking at a political side of this. They are trying to keep these people together politically.

Q But why couldn't [redacted] encourage the FDN to make a certain allocation of supplies?

A I think a certain allocation of supplies -- I don't even know what the FDN had here. I'd really have to look at all the traffic. I mean, when you pull out two or three cables it just doesn't really give me the flavor or the feeling. [redacted]

Q Well, let's go on to the next cable. [redacted]

This is [redacted] which appears to be a cable sent from [redacted] September 6 of '86; is that correct?

A That's correct.

Q If I'm not incorrect, this cable refers to the previous cable, which is [redacted] In the previous cable [redacted] asked [redacted] for how UNO would dispose itself concerning resupply of the southern forces. You respond apparently in two ways.

In paragraph three you give a flight status report on the aerial assets available to the FDN, including the C-123 and C-7 aircraft, and in the fourth paragraph you essentially attempt to provide the reassurances. You reassure concerning the FDN intentions concerning the southern front.

A Um-hum.

Q Reading this cable, are you now so sure that [redacted] did not understand the supply and flight situation [redacted] due to the fact that it seems to have such detailed information concerning the status of the private benefactor aircraft?

A This would be something we would [redacted] you know, in an ops intel cable like this what they were doing. But that's certainly not an in-depth knowledge of what they were doing.

Q At any rate, your response [redacted] cable concerning the disposition of supplies contained a rather detailed summary of how those supplies would be dropped by air, namely which aircraft could be used.

A What I would say was this was a report of FDN [redacted] and all we're passing on is passing on [redacted] to let them know what the situation is.

Q So what appears to emerge here is that the communication channel, if you wish to call it that, is UNO/SOUTH tells [redacted] it wants supplies or needs supplies. [redacted] tells you. You discuss [redacted] the supply situation and you then tell [redacted] the supply situation, including the status of the aircraft.

A You are making a conclusion based on a couple of cables. What this is is the south complaining and the south looking toward us. Is the FDN serious? Is this actual? Are they really going to work together? What's your best estimate? And us going [redacted] and saying what's your best estimate? What are you guys going to do? And taking it and sending it down there.

But I wouldn't say the normal status of events was that they would send up, because most of the support was not via the FDN, as you know.

Q So you are saying that you would not make these decisions or encourage FDN to make certain decisions. You were just keeping [redacted] informed of what FDN status was?

A We would ask them what their decisions were going to be, yes, what their plans were.

Q And then presumably [redacted] would discuss the information it received from you with the southern forces?

A That they could do, yes. What [redacted] did, I don't know.

Q Anyway, the status of FDN's ability to support the southern forces implicated or involved the status of the benefactor aircraft?

A You know, I don't know what to say to you. My understanding is the private benefactor support to the south didn't involved the FDN. Right? The FDN support to the south was basically [redacted] when you are talking about a 20,000-pound payload compared to 5,000 in the Caribou. So you're talking about significant amounts of materiel that the FDN can move down.

Q Well, I'm not so sure that the supplies in question were FDN supplies. You recall in the previous cable reference was made to the supplies being in the possession of the gringos or private benefactors at [redacted] This was in your cable, [redacted] It would appear that [redacted] was quite knowledgeable concerning who was holding these supplies and the air arrangements that could be made.

A You may read that into it, you know, but if we go [redacted] and they tell us this and we put it in a cable, it doesn't mean that it's correct, number one. It doesn't mean we have intimate knowledge of it.

Q At any rate, in paragraph three this cable would appear to indicate that [redacted] was receiving detailed information on the status of the private benefactor aircraft [redacted]

A What this cable shows is in a specific instance [redacted] information on status at one point in time, apparently. It doesn't mean that we had continuing information, because we did not.

Q So on September 6, '86 [redacted] was aware of which aircraft were flying.

A [redacted] apparently received this report [redacted]

Q And on September 3, '86, [redacted] was aware of what supplies were being held by private benefactors [redacted]

A [redacted] yes.

Q Okay. You see there's another cable in this series, two cables, which is [redacted] and this appears to be a cable sent by [redacted] September 6, '86. In this cable [redacted] appears to be aware of the control arrangements for the C-123s as well as their status, namely that the FDN does not control them.

A [redacted] We got that through that other situation, that they weren't belonging to NHAO.

Q And the FDN [redacted] it was willing to use its credit with something called the Arms Supermarket to obtain weapons for the southern front?

A That's correct.

Q Correct me if I'm wrong, but the Arms Supermarket, I believe, is a private organization in -- which is warehoused [redacted] in or near [redacted] which was maintained by international arms dealers [redacted] am I correct in my understanding?

A Yes.

Q At this point, then, as of September 6, '86, [redacted] is aware of the limitations on UNO/FDN air, the ability of UNO/FDN to provide supplies to the southern front forces both through [redacted] and the C-123s, and is also aware of the sources of arms that the FDN would use to supply those southern forces, if arrangements could be made.

A Yes. We sent out intelligence reports on the materiel the FDN did get on credit out in the supermarket.

Q Thank you. Let's not discuss the last cable in the series, which is [redacted] except just to say that it appears to be another one in this series of communications.

All right. One more.

A Is that it? Oh, great.

Q I'd ask the transcriber to mark this [redacted] Exhibit 15.

(The document referred to was marked [redacted] Exhibit Number 15 for identification.)

This is a cable Director 038759. This cable was sent to [redacted] in response to a reference cable by [redacted] by headquarters on September 3 of '86; is that correct?

A Correct.

Q Once again my apologies for not having the referred-to cable. It would appear, based on this, that [redacted] requested a briefing facility for FDN and contract air crews, and specifically including the participation of a certain individual; is that correct?

A Um-hum.

Q If you look at the next cable, the identity of that individual appears to be someone named [redacted]

A Right.

Q Do you recall this?

A I recall it generally speaking, yes.

Q Who would the briefing facility have been intended for?

A I'd have to see all the traffic. It basically would have been set up for the FDN. That would mean making sure their maps were --

Q What is a briefing facility?

A That's a good question. I don't know what a briefing facility -- I'd have to make an assumption. I really don't know what a briefing facility is.

Q Let's assume it's a briefing anyway. Who were the contract air crews referred to?

A I don't know. What were the dates on those cables when we thought that the Caribou was in and things were going to NHAO?

Q I think that was way back. We had one from February, which was about seven months earlier. This is, let's say, quite recent.

A Contract air crews.

Q At the time this cable was written in September of '86, what contract air crews were available to the FDN?

A I'm not sure outside private benefactors if there were any others.

Q You'll agree that based on the timing --

A Wait a minute, wait a minute. Contract air crews could well be -- what about the guys? I'm not sure, but we did have [redacted] was contracted to the FDN. That was a contract and they were contract personnel.

Q I notice the cable says air crews.

A Um-hum.

Q I presume if it were [redacted] it would only be an air crew.

A No. There are about three crews for [redacted]

Q I see. So to the best of your knowledge the briefing in question or briefing facility in question was intended solely for the FDN?

A And its contractors.

Q Not to include the private benefactor air crews?

A I don't know, but that's the way I would read this.

Q And to the best of your recollection have you ever requested a briefing to be arranged for private benefactor air crews?

A To the best of my knowledge, no.

Q With that I think we are coming perilously close to the end. Let me ask just one or two other questions related to some information I had just before I came in.

Does an individual named [redacted] work at your

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[redacted]

A Yes, he did.

Q He did?

A Yes.

Q What was his position?

A Deputy [redacted]

MR. FINN: Okay. I think that will be all. Thank you.

THE WITNESS: Thank you.

(Whereupon, at 2:20 p.m., the taking of the instant deposition ceased.)

____

Signature of the Witness

Subscribed and Sworn to before me this _______ day of

____________________________, 1987.

____

Notary Public

My Commission Expires: ______________________________

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Exhibit #1

UNCLASSIFIED

2 pages
PROF NOTE

N 17793 & 94

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UNCLASSIFIED [redacted] Ex 2 28 Oct 85 #. 1800

CIA OFFICER EX #2

85 8840553 ASO

PAGE 002 IN 8840553 [redacted]
TOR: 2[redacted] OCT 85

[redacted]

[redacted]

C. THE WORD FROM ALL WASHINGTON SOURCES UNTIL REF WAS THAT REIMBURSEMENT FOR AIR DROPS OF HUMANITARIAN ASSISTANCE INSIDE NICARAGUA WAS REPEAT WAS WITHIN NHAO CHARTER AND WOULD BE APPROVED. [redacted]

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5144

3. FILE: [redacted]

CIIN 1239

UNCLASSIFIED

27 MAR 1987

Disc. ≥558

Exhibit #3

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CIA OFFICER EX. #3

1 Page
C 0712

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22 NOV 85

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C 0713

85 9082771 [redacted] PAGE 002 IN 9082771 [redacted]
TOR: 22[redacted] NOV 85

[redacted]

3. C-123 PER CONTRACT FOR SIX MONTHS 100 HOURS PER MONTH.
OF 495,000 (USD) [redacted]

[redacted] THE C-123'S
ARE TO COME [redacted] OUTSIDE THE COUNTRY AND PARENT FIRM UNKNOWN
LOCALLY.

[redacted]

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by K. Johnson, National Security Council

5145

REVIEWED FOR RELEASE
Date 24 March 87
HSC & SSC

UNCLASSIFIED [redacted] 5NOV85

[redacted]

85 8922273 ASO PAGE 001 IN 8922273 [redacted]
TOR: 05[redacted] NOV 85

S E C R E T 05[redacted] NOV 85 STAFF

C 0721

CITE [redacted]

CIA OFFICER Ex. #4

TO: IMMEDIATE DIRECTOR [redacted]

NIACT DIRECTOR.

SUBJECT: HUMANITARIAN ASSISTANCE STATUS

1. [redacted]
WHEN HE CALLED WASHINGTON TO CHECK ON STATUS OF HUMANITARIAN ASSISTANCE DELIVERIES AND PAYMENTS, HE WAS TOLD THAT A MR. OMSTED OR OLMSTEAD HAD PREPARED INFORMATION ON THIS SUBJECT WHICH WOULD BE SENT VIA OUR CHANNELS.

[redacted]

3. FILE: [redacted] DECL OADR DRV HUM 4-82.
ALL SECRET.

END OF MESSAGE SECRET

CIA OFFICER EX #7

ially Declassified/Released on 3FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

[redacted]

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A

DO 307383

[redacted]

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0.5 Nov 85
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Date 24 March 87
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[redacted]

Exhibit 5

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C 0707

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CIA OFFICER EXHIBIT #

1 page
C-0742

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5146

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C 0743

85 9184293 ASO PAGE 002 IN 9184293 [redacted]
TOR: 03[redacted]DEC 85

[redacted]

5. [redacted]

A. [redacted]

RESTRICTIONS ON NHAO FLIGHTS ARE NOT THE MOST IMMEDIATELY PRESSING OBSTACLE. THE MOST SERIOUS ONE IS THE RESTRICTION ON RESUPPLY

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(5144)

REVIEWED FOR RELEASE
Date 24 March 87
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C 0744

85 9184293 ASO PAGE 003 IN 9184293 [redacted]
TOR:×03[redacted]DEC 85

FLIGHTS INTO NICARAGUA

[redacted]

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Exhibit 6

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21 Dec 12/21/85

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[redacted]

S E C R E T 21 [redacted] DEC 85 STAFF

#620

CITE [redacted]

TO: IMMEDIATE DIRECTOR.

~~WIACT~~ DIRECTOR.

[redacted]

C 0730

SUBJECT: [redacted] WILLINGNESS TO ALLOW UNO/FDN FLIGHTS TO RESUME

1. [redacted] MET WITH [redacted] TO DISCUSS THE UNO/FDN FLIGHT SITUATION AND THE RESULTS OF [redacted] MEETING WITH [redacted] EARLIER IN THE DAY. [redacted] RECOGNIZED THE SERIOUSNESS OF THE SITUATION FOR UNO/FDN AND ALLOWED AS IT WAS FEASIBLE TO RESUME THE FLIGHTS WITHOUT [redacted] KNOWLEDGE [redacted] FINALLY ASKED FOR SOMETHING TO GIVE HIS BOYS IN TERMS OF MILITARY AID. AMBASSADOR SAID WE ARE PROVIDING [redacted]

2. [redacted] ADVISED [redacted] IT NOT POSSIBLE FOR HIM TO TRAVEL CONUS FOR MEETING BUT WOULD WELCOME TEAM HERE TO SEE HIM. [redacted]

3. WHILE IT STILL TO EARLY TO SAY WHAT BROUGHT [redacted] AROUND BELIEVE [redacted] EFFORTS [redacted] AND OTHERS PLAYED NO SMALL ROLL IN GETTING [redacted] TO CHANGE HIS TUNE.

4. ON 20 DEC UNO/FDN REQUESTED PERMISSION TO MAKE DROPS WITH AIRCRAFT [redacted] WHILE THIS NOT NECESSARY IF ABOVE COMES THROUGH, IT IS GOOD BACKUP FOR THEM TO HAVE IF IT DOESN'T.

5. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.

END OF MESSAGE

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REVIEWED FOR RELEASE
Date 27 March 87
NSC + SSC

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CIIN 1266

[redacted]

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21 Dec 85

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by B. Reger, National Security Council

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85 9385211 ASO PAGE 001
TOT: 2[redacted] DEC 85 DIRECTOR 665928

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STAFF 21[redacted] DIRECTOR 665928
TO: IMMEDIATE [redacted]

NIACT [redacted]

EXHIBIT [redacted]

C 0812

SUBJECT: DECISION NOT TO PROCEED WITH NHAO FIGHTS [redacted]

1. [redacted] WILL BE ADVISED IN SEPERATE CABLE THAT DECISION HAS BEEN TAKEN NOT RPT NOT TO RESUME HUMANITARIAN ASSISTANCE SUPPLY FLIGHTS [redacted]

2. PLANS ARE BEING MADE TO STAGE FLIGHTS OUT OF [redacted]

OLLIE NORTH
BILL WALKER

3. [redacted]

4. WILL BE DISCUSSING PLANS FOR ALTERNATIVE RESUPPLY MECHANISM IN SEPERATE TRAFFIC EARLY NEXT WEEK.

5. NO FILE. DECL [redacted] DRV HUM 4-82. ALL SECRET.>
ORIG: C/LACATF; COORD: [redacted] REL: C/LACATF
[redacted] CL BY [redacted]
END OF MESSAGE SECRET

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under provisions of E.O. 12356
by B. Reger, National Security Council

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21 Dec 85
REVIEWED FOR RELEASE
Date 24/March 92

EXHIBIT 7A

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85 9439856     ASO               PAGE 001
                            TOT: 30[redacted]DEC 85      DIRECTOR 672517
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S E C R E T
STAFF 30[redacted]DIRECTOR 672517
TO:  IMMEDIATE[redacted]

NIACT [redacted]
[redacted]

SUBJECT:  IDENS

REF: DIRECTOR 672514

     1.  IDEN A:  DEPUTY ASSISTANT SECRETARY BILL WALKER
         IDEN B:  LT COL. OLIVER NORTH, NSC STAFF
         IDEN C:  CRISS ARCOS, DEPUTY DIRECTOR NHAO.

     2.  FILE:  DEFER.  DECL OADR DRV.HUM 4-82.  ALL SECRET.>
ORIG:[redacted]          REL:  DDO/DO (PER AUTHORITY
[redacted]
END OF MESSAGE                       SECRET
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Partially Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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DATE 27 MAR 1987

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22 Feb 86

[redacted]

C 5435

86 00057[redacted] ASC PAGE 001 IN 0005785
TOR: 22[redacted] FEB 86 [redacted]

S E C R[redacted] STAFF [redacted]

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CITE [redacted]

TO: IMMEDIATE DIRECTOR [redacted]

[redacted] Ex #8

SUBJECT: STATUS OF FLIGHTS

REF: DIRECTOR 706773

1. CONCUR REF PROPOSAL FOR 25[redacted] FLIGHTS WITH NO PICKUP OF MATERIAL FROM [redacted]AFT WILL NEVERTHELESS BE REQUIRED TO MAKE STOPS [redacted] THAT [redacted] CONTRIBUTE TO PROCESS OF TRANSFER OF MATERIAL [redacted]

2. [redacted]

3. [redacted] WILL HANDLE REMAINDER OF LETHAL MATERIALS. [redacted] HAVE RECONFIRMED THAT THEY WILL NOT CONSIDER DIRECT FLIGHTS FROM CONUS UNTIL TRANSFER OF ALL MATERIAL FROM [redacted] IS COMPLETED. THEY WILL ALSO BE LOOKING FOR MOTION ON REINFILTRATION BEFORE AGREEING TO [redacted]IONAL FLIGHTS.

Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
Johnson, National Security Council

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C. 5436

86 0005785 ASC PAGE 002 IN 0005785 [redacted]

TOR: 22[redacted] FEB 86

4. REGARDING CARIBOU AIRCRAFT, CRITICAL QUESTION IS WHEN THIRD COUNTRY CREWS WILL BE AVAILABLE TO CONDUCT DROPS IN NICARAGUA. PLEASE ADVISE FLIGHT CLEARANCE DATA (TAIL NUMBER AND CREW) AND AWAIT CONFIRMATION OF SPECIFIC CLEARANCE BEFORE DISPATCH OF AIRCRAFT.

5. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.

END OF MESSAGE SECRET

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DO 85415

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[redacted]

DIST 20 FEBRUARY 1986
COUNTRY NICARAGUA [redacted]
SUBJ FIRST L-100 SUPPLY FLIGHT FROM [redacted]/FDN FORWARD SUPPORT SITE TO LOGISTICS BASE
DOI [redacted]
SOURCE

Partially Declassified/Released on 3FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5153

[redacted]

TEXT 1. AT 0800 HOURS ON 20 FEBRUARY, A L-100 AIRCRAFT CHARTERED BY THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE CARRIED A LOAD OF SUPPLIES FROM THE UNIFIED NICARAGUAN OPPOSITION/NICARAGUAN DEMOCRATIC FORCE (UNO/FDN) FORWARD SUPPORT SITE TO THE LOGISTICS BASE. THE LOAD CONSISTED OF [redacted] POUNDS OF NON-LETHAL MATERIEL WHICH HAD ARRIVED ON THE AIRCRAFT AT THE FORWARD SUPPORT SITE THE EVENING OF 19 FEBRUARY, AND [redacted] POUNDS OF LETHAL MATERIEL WHICH HAD BEEN ADDED TO THE CARGO BEFORE THE AIRCRAFT DEPARTED FOR THE LOGISTICS BASE ON THE EARLY MORNING OF 20 FEBRUARY.

2. THE ORIGINAL CARGO CONSISTED OF:

[redacted] BOXES CONTAINING A TOTAL OF [redacted] NEW JUNGLE BOOTS WEIGHING A TOTAL OF [redacted] POUNDS.

9 BOXES OF MEDICINES WEIGHING A TOTAL OF [redacted] POUNDS.

1 BOX CONTAINING TWO COMPLETE CARGO PARACHUTES WEIGHING A TOTAL OF [redacted] POUNDS.

17 BOXES CONTAINING [redacted] PIECES OF OPTICS WEIGHING A TOT[illegible] OF [redacted] POUNDS.

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THIS DOCUMENT [illegible] CIA RECORDS [illegible] TO ANYONE EXCEPT [illegible]/OSO

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Date 24 March 87
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[illegible] -0950 PAGE 002
TOT: 20[redacted] FEB 86 CIA 744315

[redacted] BOXES CONTAINING A TOTAL OF [redacted] PAIRS OF SOCKS WEIGHING A TOTAL OF [redacted] POUNDS.

[redacted] BOX CONTAINING 3 MARANTZ TAPE RECORDERS WEIGHING A TOTAL [illegible] POUNDS.

[redacted] BOX CONTAINING A USED ELECTRIC SAW WEIGHING [redacted] POUNDS.

[redacted] BOXES CONTAINING M-79 GRENADES WEIGHING A TOTAL [redacted] POUNDS WERE ADDED TO THE L-100 AT THE FORWARD SUPPORT SITE.

4. AS OF 0830 HOURS ON 20 FEBRUARY, [redacted] HAD ADVISED THAT THE L-100 HAD ALREADY BEEN UNLOADED THERE AND WAS AIRBORNE ENROUTE BACK TO THE FORWARD SUPPORT SITE. [redacted] FIELD COMMENT: THE MATERIEL DELIVERED BY THE L-100 IS BEING INVENTORIED AND THE BOOTS AND SOCKS WILL BE TRANSPORTED AS SOON AS POSSIBLE TO UNO/FDN CAMPS [redacted] WITH THESE ITEMS DELIVERED TO THE DEMOCRATIC RESISTANCE [redacted] SHOULD SOON BEGIN TO SEE MOVEMENT OF UNO/FDN UNITS BACK INTO NICARAGUA.)

5. THERE IS VIRTUALLY NO NON-LETHAL UNO/FDN MATERIEL LEFT AT THE FORWARD SUPPORT SITE WAREHOUSE AWAITING TRANSPORT TO THE LOGISTICS BASE. A FEW PONCHO LINERS AND OTHER ITEMS OF CLOTHING REMAIN TO BE SHIPPED, BUT THIS WOULD ACCOUNT ONLY FOR A FRACTION OF THE L-100 LOAD CAPACITY.

6. THE UNO/FDN CHARTERED DC-6 WHICH DEVELOPED ENGINE TROUBLE AT THE FORWARD SUPPORT SITE ON 19 FEBRUARY PRIOR TO DEPARTING FOR THE SUPPORT BASE IS EXPECTED TO BE FLIGHT-READY ON 20 OR 21 FEBRUARY. THIS AIRCRAFT HAS REMAINED LOADED WITH A MIXED CARGO OF LETHAL AND NON-LETHAL MATERIEL. (FIELD COMMENT: SEE [redacted] TO HEADQUARTERS DATED [illegible] FEBRUARY 1986, FOR DETAILS OF THE LOAD OF THIS AIRCRAFT.)

7. APPROXIMATELY [redacted] POUNDS OF UNO/FDN LETHAL MATERIEL REMAIN AT THE FORWARD SUPPORT SITE TO BE TRANSFERRED TO THE LOGISTICS BASE.

ACQ [redacted]

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TO DIA EXCLUSIVE FOR THE DIRECTOR, DIA
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TOT: 22[redacted] FEB 86 CIA 749208

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DIST: 22 FEBRUARY 1986
COUNTRY: NICARAGUA/[redacted]
SUBJ: SECOND L-100 SUPPLY FLIGHT T[redacted] UNO/FDN LO[illegible]S BASE
DOI: [redacted]
SOURCE: [redacted]

Partially Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

TEXT: 1. ON THE SECOND OF TWO SUPPLY FLIGHTS ON 20 FEBRUARY 1986, AN L-100 AIRCRAFT CARRIED [redacted] POUNDS OF CARGO FOR THE UNITED NICARAGUAN OPPOSITION/NICARAGUAN DEMOCRATIC FORCE (UNO/FDN) FROM A FORWARD SUPPORT SITE TO THE UNO/FDN LOGISTICS BASE. THIS IS THE FOURTH IN AN OVERALL SERIES OF ROUNDTRIP FLIGHTS BETWEEN THE SUPPORT SITE AND THE LOGISTICS BASE. THE CARGO WHICH THIS FLIGHT TRANSPORTED CONTAINED THE NON-LETHAL AID WHICH WAS TO HAVE BEEN TRANSFERRED TO THE LOGISTICS BASE ON 18 FEBRUARY BY A DC-6 WHICH UNO/FDN HAD RENTED. THE DC-6 EXPERIENCED MECHANICAL DIFFICULTIES AND TEMPORARY REPAIRS, WHICH WERE INITIALLY CONSIDERED FEASIBLE, TURNED OUT TO BE INADEQUATE. (HEADQUARTERS COMMENT: SEE [redacted] DATED 20 FEBRUARY 1986, FOR REPORTING ON 20 FEBRUARY. SEE [redacted] DATED 18 FEBRUARY 1986, FOR REPORTING ON THE FLIGHT WHICH THE DC-6 WAS TO HAVE MADE.)

2. IN ITS SECOND FLIGHT, THE L-100 ARRIVED AT APPROXIMATELY 1000 HOURS, TOOK ON THE CARGO, AND DEPARTED FOR THE LOGISTICS BASE AT 1300 HOURS. THE CARGO CONSISTED OF

[redacted] BOXES AND [redacted] SACKS CONTAINING A TOTAL OF [redacted] CANTEENS WEIGHING A TOTAL OF [redacted] POUNDS.

[redacted] BOXES AND [redacted] SACKS CONTAINING A TOTAL OF [redacted] CANTEEN COVERS WEIGHING A TOTAL OF [redacted] POUNDS.

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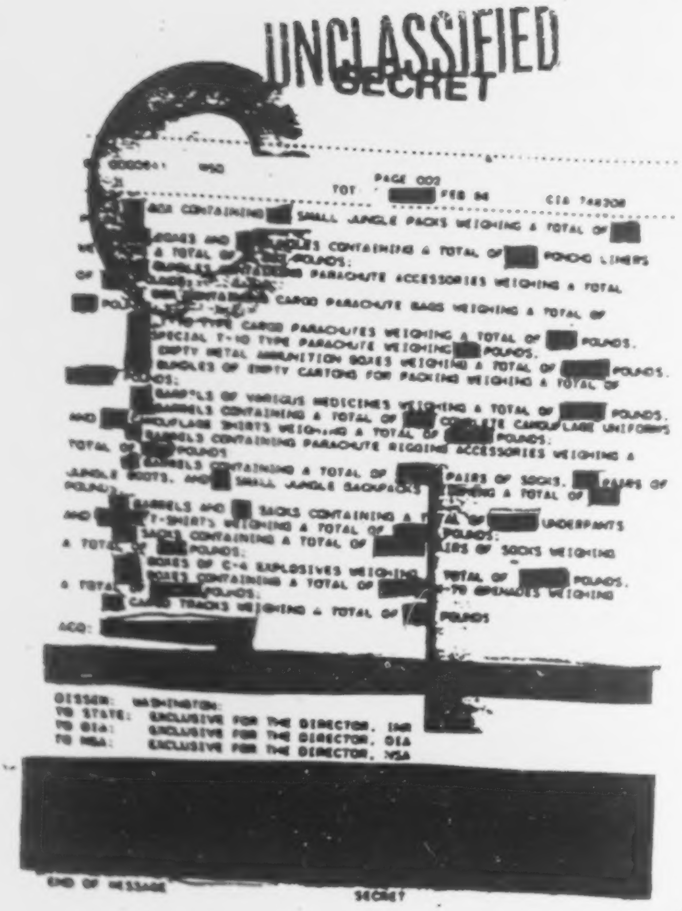

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PAGE 002

TOT [redacted] FEB 86 CIA 748308

[redacted] BOX CONTAINING [redacted] SMALL JUNGLE PACKS WEIGHING A TOTAL OF [redacted]
[illegible] [redacted] BOXES AND [redacted] BUNDLES CONTAINING A TOTAL OF [redacted] PONCHO LINERS
[illegible] A TOTAL OF [redacted] POUNDS;
[redacted] BUNDLES CONTAINING PARACHUTE ACCESSORIES WEIGHING A TOTAL
OF [redacted] POUNDS;
[redacted] CONTAINING CARGO PARACHUTE BAGS WEIGHING A TOTAL OF
[redacted] POUNDS;
[redacted] TYPE CARGO PARACHUTES WEIGHING A TOTAL OF [redacted] POUNDS.
SPECIAL T-10 TYPE PARACHUTE WEIGHING [redacted] POUNDS.
EMPTY METAL AMMUNITION BOXES WEIGHING A TOTAL OF [redacted] POUNDS.
BUNDLES OF EMPTY CARTONS FOR PACKING WEIGHING A TOTAL OF
[redacted] POUNDS;
[redacted] BARRELS OF VARIOUS MEDICINES WEIGHING A TOTAL OF [redacted] POUNDS.
[redacted] BARRELS CONTAINING A TOTAL OF [redacted] COMPLETE CAMOUFLAGE UNIFORMS
AND [redacted] CAMOUFLAGE SHIRTS WEIGHING A TOTAL OF [redacted] POUNDS;
[redacted] BARRELS CONTAINING PARACHUTE RIGGING ACCESSORIES WEIGHING A
TOTAL OF [redacted] POUNDS
[redacted] BARRELS CONTAINING A TOTAL OF [redacted] PAIRS OF SOCKS, [redacted] PAIRS OF
JUNGLE BOOTS, AND [redacted] SMALL JUNGLE BACKPACKS WEIGHING A TOTAL OF [redacted]
POUNDS;
[redacted] BARRELS AND [redacted] SACKS CONTAINING A TOTAL OF [redacted] UNDERPANTS
AND [redacted] T-SHIRTS WEIGHING A TOTAL OF [redacted] POUNDS;
[redacted] SACKS CONTAINING A TOTAL OF [redacted] PAIRS OF SOCKS WEIGHING
A TOTAL OF [redacted] POUNDS;
[redacted] BOXES OF C-4 EXPLOSIVES WEIGHING A TOTAL OF [redacted] POUNDS.
[redacted] BOXES CONTAINING A TOTAL OF [redacted] M-79 GRENADES WEIGHING
A TOTAL OF [redacted] POUNDS;
[redacted] CARGO TRACKS WEIGHING A TOTAL OF [redacted] POUNDS

ACQ: [redacted]

[redacted]

DISSEM: WASHINGTON:
TO STATE: EXCLUSIVE FOR THE DIRECTOR, INR
TO DIA: EXCLUSIVE FOR THE DIRECTOR, DIA
TO NSA: EXCLUSIVE FOR THE DIRECTOR, NSA

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TOR: 21[redacted] MAR 86 [redacted]

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CIA OFFICER EXHIBIT
#

CITE [redacted]

TO: IMMEDIATE [redacted] DIRECTOR [redacted]

SUBJECT: APPROVAL FOR ARRIVAL OF CARIBOU AIRCRAFT

REF: [redacted] 0287398

1. [redacted]

2. AT THIS TIME [redacted] ONLY CONFIRM TAIL NUMBER OF THE AIRCRAFT WHICH IS [redacted] RM ETA [redacted] AND CREW DATA WILL BE FORWARDED AS SO[redacted] AVAILABLE.

3. FILE: [redacted] DECL OADR [redacted] UM 4-82.

END OF MESSAGE S[redacted]

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by K. Johnson, National Security Council

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Caribou Approval -

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TOR: 24[redacted] APR 86 [redacted]

S E C R E T 24[redacted]Z [illegible]R 86 STAFF

CITE [redacted]

TO: IMMEDIATE DIRECTOR, [redacted]

[redacted]

SUBJECT: [redacted] UNO/FDN SUPPLY FLI[redacted] 7-16 APRIL 1986

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1. [redacted]

SUPPLY FLIGHTS BETWEEN THE [redacted] UNITED NICARAGUAN OPPOSITION/NICARAGUAN D[redacted]ATIC FORCE (UNO/FDR) [redacted] OCCURRED ON [redacted]2 AND 16 APRIL 1986. ON THE FIRST OF THESE FLIGHTS, [redacted] BOXES OF C-4 EXPLOSIVES WEIGHING A TOTAL OF [redacted] POUNDS WERE TRANSPORTED BY CARIBOU AIRCRAFT [redacted] TO THE UNO/FDR [redacted]

2. [redacted] RECEIVED APPROVAL [redacted] UNO/FDN HQS [redacted] TO USE THE CARIBOU AND C-[illegible] TO TRANSPORT LETHAL AID ON 7 AND 16 APRIL RESPECTIVE[illegible]ND CREWS OF BOTH AIRCRAFT AGREED TO THIS. THE CARIBOU [illegible] C-1[illegible] WERE PREVIOUSLY FLYING EMPTY FROM [redacted] AFTER [illegible] TO [redacted] HAD BEEN WARNED REPEATEDLY B[illegible] PUT LETHAL AID ON THESE NHAO AIRCRAFT. WE HAVE N[illegible]ORMATIO[illegible]

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ON WHAT [illegible] R CONCURRENCE UNO/FDN HQS HAS OBTAINED BEFORE ALLOWING [redacted] TO [illegible] LETHAL [illegible] N THE CARIBOU AND C-123.

[redacted]

4. NO FILE. DECL OADR DRV HUM 4-82.

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PAGE 001

TOT: 26[redacted]APR 86 DIRECTOR 845653

[redacted]

S E C R E T
STAFF 26[redacted] DIRECTOR 845653
TO: PRIORITY [redacted]

SUBJECT: UNO/FDN SUPPLY FLIGHTS

REF: [redacted] 0674841

1. APPRECIATE INFORMATION CONTAINED REF. C-7 CARIBOU AND C-123 FLIGHTS ARE NOT NHAO SUPPORTED. PER DISCUSSION WITH NHAO REP ON 24 APRIL, NHAO DOES NOT HAVE A CONTRACT OR CHARTER ARRANGEMENT FOR THESE AIRCRAFT. WE THEREFORE ASSUME THESE FLIGHTS ARE BEING PAID FOR BY THE FDN OR BY PRIVATE BENEFACTORS. [redacted] CORRECT IN THAT NO REPEAT NO LETHAL AID CAN BE CARRIED ON NHAO FLIGHTS.

2. SINCE C-7 CARIBOU AND C-123 AIRCRAFT ARE NOT FUNDED BY NHAO, WE KNOW VERY LITTLE ABOUT HOW THEY ARE BEING UTILIZED. THEREFORE, HQS APPRECIATES REF REPORT AND WOULD LIKE TO BE KEPT INFORMED ON THE USE OF THESE AIRCRAFT.

3. FILE: [redacted] DECL OADR DRV HUM 4-82 ALL SECRET.
ORIG: [redacted] AUTH: [redacted] ; COORD: [redacted] ; REL: CLACATF [redacted] CL BY

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TOR: 26[redacted] APR 86 [redacted]

S E C R E T 26[redacted] APR 86 STAFF

CITE [redacted]

TO: IMMEDIATE [redacted] DIRECTOR.

[redacted]

Partially Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

SUBJECT: UNO/FDN SUPPLY FLIGHTS

REF: [redacted] 0674841

1. WHILE WE RECOGNIZE THAT THERE HAS BEEN HQS REPORTING TO THE CONTRARY, C/NHAO, DURING RECENT VISIT [redacted] TOLD US THAT NHAO DOES NOT RPT NOT HAVE A CONTRACT WITH THE OPERATORS OF REF AIRCRAFT, ALTHOUGH HE DID SAY THAT HE SUPPOSED THAT NHAO WOULD EVENTUALLY PAY FOR FLIGHTS BY THE AIRCRAFT WHICH CARRIED HUMANITARIAN SUPPLIES. WE CONCLUDE, THEREFORE, THAT THERE IS NO RESTRICTION UPON REF AIRCRAFT CARRYING LETHAL SUPPLIES PROVIDED THE OPERATOR DOES NOT BILL NHAO FOR THE FLIGHT. THEY ARE NOT "NHAO AIRCRAFT."

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2. THERE REMAINS A CONSIDERABLE DEGREE OF CONFUSION AS TO COORDINATION OF THE FLIGHTS. FOR THE MOST PART, BOTH UNO/FDN [redacted] LEARNED OF REF FLIGHTS WHEN THEY ARRIVED, OR WITHIN A VERY FEW MINUTES OF THEIR ARRIVAL. [redacted] THE CARIBOU AND C-123 WERE NOT COORDINATED IN ADVANCE [redacted] THE C-123 WAS COORDINATED AFTER THE FACT BECAUSE IT WAS ITS FIRST APPEARANCE ON THE SCENE (BUT WITH WRONG INFO, AS DETAILED BELOW.) [redacted] UNO/FDN TO TELL [redacted] CLEARANCE FOR THE FLIGHTS.

[redacted]

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4. THE PRIMARY OFFENDERS ON THE UNANNOUNCED ARRIVALS AND DEPARTURES ARE THE CREWS OF THE CARIBOU. WE HAVE FIGURED OUT ON OUR OWN THAT THEY GENERALLY LEAVE AT NOON ON FRIDAYS TO

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RETURN TO [redacted] FOR THE WEEKEND, AND GENERALLY RETURN TO [redacted] AT NOON ON MONDAY. HOWEVER, THEY DO NOT ANNOUNCE THEIR INTENTIONS TO ANYONE--THEY JUST LEAVE. WE HAD GOTTEN TO THE POINT WHERE WE AUTOMATICALLY NOTIFIED THE [redacted] THAT THEY WOULD BE RETURNING FROM MAINTENANCE ON MONDAYS--WHICH WORKED AS LONG AS THEY ACTUALLY DID SO.

[redacted]

7. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.
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S E C R E T
STAFF 09[redacted]DIRECTOR 817901
TO: IMMEDIATE [redacted] IMMEDIATE [redacted]
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CIA OFFICER Ex #12

SUBJECT: UNO/FDN LETHAL DROP TO NAC'S

REF: [redacted] 32408 0478048

1. PER REF, FOLLOWING ROUTE INFORMATION FOR NAC DROP IS PROVIDED [redacted]

3. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.>
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C/LA[redacted]. CL BY [redacted]
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by 2. Reger, National Security Council

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CIT [redacted]

TO: IMMEDIATE [redacted]

[redacted]

SUBJECT: UNO/SOUTH RESUPPLY DROP

REFS: A. [redacted]
B.
C.

1. ACTION REQUIRED: CONFIRMATION OF DROP ZONE (DZ).

2. UNO/FDN ADVISES THAT PRIVATE BENEFACTOR CARIBOU IS STANDING BY [redacted] WITH RESUPPLY MATERIALS FOR AIR DROP TO UNO/SOUTH. THEY NEED IMMEDIATE CONFIRMATION OF DZ FROM UNO/SOUTH IN ORDER TO PROCEED. PLEASE HAVE UNO/SOUTH CONTACT UNO/FDN WITH CONFIRMATION OF DZ ASAP. WOULD APPRECIATE [redacted] [redacted] PASSING SAME INFO [redacted] OPS BASE VIA THIS CHANNEL.

3. FILE: [redacted] DECL OADR DRV HUM 4-82.
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This is not Kosher! We should not being using our comms to help this.

-their info storing passing

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TOR: 04[redacted]SEP 86 [redacted]

S E C R E T 04[redacted]SEP 86 STAFF

CITE [redacted]

TO: IMMEDIATE [redacted] INFO IMMEDIATE DIRECTOR [redacted]

[redacted]

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

SUBJECT: [redacted] SUPPLIES HELD AT [redacted]

REF: [redacted] 2043743

1. ACTION REQUIRED: PLEASE TAKE APPROPRIATE ACTION WITH UNO/FDN TO DISCOURAGE APPROPRIATION OF UNO/SOUTH SUPPLIES.

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2. THE [redacted] SUPPLIES STORED AT [redacted] AND MENTIONED REF, WERE ORIGINALLY EARMARKED FOR [redacted] ORCES OPERATING IN THE SOUTHERN FRONT. DUE [redacted] NABILITY TO ORGANIZE THE SECURE RECEPTION OF THESE SUPPLIES, UNO/SOUTH SUBSEQUENTLY DESIGNATED THESE SUPPLIES FOR OTHER UNO/SOUTH UNITS; HOWEVER, DUE TO THE UNAVAILABILITY OF FUNCTIONING AIRCRAFT THE DELIVERY OF THESE SUPPLIES HAS BEEN DELAYED. UNO/SOUTH ADVISES THAT AT LEAST ONE BENEFACTOR AIRCRAFT WILL BE CAPABLE OF HANDLING RESUPPLY TO THE SOUTH IN THE VERY NEAR FUTURE. [redacted]

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3. [redacted] SYMPATHIZES WITH UNO/FDN PLIGHT BUT MUST SUPPORT UNO/SOUTH DECISION THAT ITS NEEDS ARE ALSO URGENT AND RECEIPT OF REF EQUIPMENT REPRESENTS THEIR ONLY HOPE OF HOLDING OUT UNTIL FUNDING RESUMES. UNO/SOUTH EXPECTS THAT PRIVATE BENEFACTORS WILL RESPECT ITS PRIMACY FOR THE EQUIPMENT AND SUPPLIES STORED AT [redacted]

4. FILE: [redacted] DECL OADR DRV HUM 4-82.

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S E C R E T 06[redacted]SEP 86 STAFF

CITE [redacted]

TO: IMMEDIATE DIRECTOR, [redacted]

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Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

SUBJECT: [redacted] REQUIRED UNO/FDN EFFORT TO RESOLVE THE SITUATION

1. ACTION REQUIRED: [redacted] PLEASE ADVISE UNO/FDN DISPOSITION FOR CONDUCTING AIRDROPS TO THE SOUTHERN FRONT PERSONNEL (SFP). PLEASE ATTEMPT TO BRING FDN [redacted] SITUATION UNDER CONTROL.

[redacted]

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Date 25 March 87
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6. [redacted] BELIEVES THAT IT IS IMPERATIVE THAT THE FDN SHOWS THAT THE EQUIVALENT GOODWILL AND UNITY SOUGHT IN THE POLITICAL AREA IS ALSO APPLIED TO THE MILITARY EFFORT. ONE STEP WHICH CAN BE TAKEN AT THIS TIME TO HELP ALLEVIATE THE TENSE SITUATION AND PROVIDE A MUCH NEEDED BOOST TO SFP'S MORAL IS FOR THE FDN TO PROVIDE AN AIRDROP OF MILITARY SUPPLIES TO [redacted] FORCES. IF [redacted] HOPES TO HAVE A SOUTHERN FRONT TO SUPPORT OUR FUTURE EFFORTS, BELIEVE IT IS INCUMBENT UPON THE FDN TO PROVIDE MINIMAL MATERIAL SUPPORT TO THE SOUTHERN FRONT NOW. IF SOME TANGIBLE AID IS NOT FORTHCOMING TO THE SOUTHERN FORCES, THE FDN (AND BY EXTENSION THE RESISTANCE) MUST BE PREPARED TO DEAL WITH THE CONSEQUENCES. PLEASE ADVISE.

6. [redacted]

7. FILE: [redacted] [redacted] DECL OADR DRV HUM 4-82.
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CITE [redacted]

TO: [redacted] INFO DIRECTOR. [redacted]

SUBJECT: [redacted] SUPPORT FOR [redacted] SOUTH AIRDROPS

Partially Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

REF: [redacted] 2076778

1. ACTION REQUESTED: SEE BELOW.

2. [redacted]

(5156)

3. PLEASE ADVISE [redacted] ETC. THAT [redacted] DOES NOT HAVE ANY AIRCRAFT FLYABLE THAT CAN SUPPORT AIR DROPS AS FAR SOUTH AS THEIR OPERATING AREA. THE [redacted] IS DOWN FOR CONSIDERABLE MAINTENANCE. [redacted] FINALLY [redacted] HAS NO CONTROL OVER THE PRIVATE BENEFACTOR CARIBOUS AND C-123S AND HAS BEEN ADVISED THAT BOTH C-123'S ARE DOWN FOR MAINTENANCE AND THE ONE C-7 THAT FLYS IS IN MARGINAL CONDITION. THUS, THE [redacted] POUNDS SCHEDULED FOR DROP TO THE SOUTHERN FRONT IS STILL WAITING FOR AN AIRCRAFT [redacted] WE UNDERSTAND THE PRIVATE BENEFACTORS HAVE UNSUCCESSFULLY TRIED TO MAKE DROP ON THREE OCCASIONS.

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4. [redacted]

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TOR: 06[redacted] SEP 86 [redacted]

S E C R E T 06[redacted] SEP 86 STAFF

CITE [redacted]

TO: IMMEDIATE DIRECTOR, [redacted]

Partially Declassified/Released on 3FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

SUBEJCT: POTENTIAL UNO/FDN ACTION TO SALVAGE THE SOUTHERN FRONT

REFS: A. DIRECTOR 045831
B. [redacted]
C.

5154

1. ACTION REQUESTED: NONE. FYI [redacted]

2. THE UNO/FDN FULLY UNDERSTANDS THE PROBLEM IN THE SOUTH AND IS WILLING TO DO ANYTHING IN ITS POWER TO ASSIST. AS OUTLINED IN REF C, THE LIMITING FACTOR IS THE LACK OF AN AIRPLANE THAT CAN FLY THE CARGO TO THE SOUTH. THE UNO/FDN [redacted] IS GROUNDED FOR MAINTENANCE AND SPARE PARTS AND THE UNO/FDN HAS NO CONTROL OVER THE PRIVATE BENEFACTOR C-123'S WHICH WE UNDERSTAND ARE ALSO DOWN FOR MAINTENANCE.

3. THE UNO/FDN IS ALSO WILLING TO USE ITS CREDIT WITH THE ARMS SUPERMARKET TO OBTAIN AMMUNITION AND WEAPONS TO MEET THE NEEDS OF THE SOUTH. [redacted]

REVIEWED FOR RELEASE
Date 25 MARCH 5

4. THE UNO/FDN KNOWS THE IMPORTANCE OF THE SOUTHERN FRONT AND HAS [redacted] ENJOINED [redacted] TO COOPERATE WITH SOUTHERN FRONT COMMANDERS. THEY BELIEVE HE HAS DONE SO. [redacted]

NSC - 55

5. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.
END OF MESSAGE SECRET

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TOT: 03[redacted]SEP 86 DIRECTOR 038759

S E C R E T
STAFF 03[redacted]DIRECTOR 038759
TO: [redacted]

[redacted] Ex. #15

SUBJECT: [redacted]

REF: [redacted] 2006625

1. HQS CONCURS IN REQUEST FOR IDEN ASSISTANCE IN SETTING UP [redacted] BRIEFING FACILITY FOR FDN AND CONTRACT AIR-CREWS. [redacted]

2. FILE: [redacted] DECL OADR DRV HUM 4-82 ALL SECRET.>
ORIG: LA[redacted]; AUTH: C/LA[redacted]; COORD: C/LA[redacted], LA[redacted]; REL: DC/LA[redacted] CL BY [redacted]

END OF MESSAGE SECRET

REVIEWED FOR RELEASE
Date 25 March 87
HSC + SSC

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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under provisions of E.O. 12356
by D. Sirko, National Security Council

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UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF C. THOMAS CLAGETT, JR.

Washington, D. C.
Friday, April 3, 1987

Deposition of C. THOMAS CLAGETT, JR., called for examination pursuant to subpoena, at the Hart Senate Office Building, Suite 901, at 9:00 a.m., before DAVID L. HOFFMAN, a notary Public within and for the District of Columbia, when were present on behalf of the respective parties:

W. THOMAS McGOUGH, JR., ESQ.
Associate Special Counsel
United States Senate Select
Committee on Secret Military
Assistance to Iran and the
Nicaraguan Opposition

THOMAS FRYMAN, ESQ.
Assistant Majority Counsel
KENNETH R. BUCK, ESQ.
Assistant Minority Counsel
United States House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

HENRY FLYNN
Special Investigator

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CLAGETT DEPOSITION NUMBER	IDENTIFIED
Exhibit 1	5
Exhibits 2 through 5	6

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P R O C E E D I N G S

Whereupon,

C. THOMAS CLAGETT, JR.

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. MC GOUGH: Let's go on the record.

EXAMINATION

BY MR. MC GOUGH:

Q Mr. Clagett, I'm Tom McGough, Associate Special Counsel here at the Senate Select Committee. I am going to be asking you a few questions today about a matter I believe you were interviewed about concerning the National Endowment for the Preservation of Liberty.

A I interviewed about it?

Q Yes, I believe you were interviewed.

A I was interviewed.

Q You spoke to Hank Flynn and Tom Simansky a few days ago.

Let me begin now by telling you, obviously, as they may have advised you, you have the right to counsel, if you so care. I note today you appear without counsel. Is that by your own choice?

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A I have no desire for counsel.

Q The investigation is being conducted pursuant to Senate Resolution 23 --

A Whatever that is.

Q -- which authorizes the committee to conduct it. I can provide you with a copy of it, if you would care to see it.

MR. MC GOUGH: Let the record reflect that Henry Flynn has just entered the office.

BY MR. MC GOUGH:

Q Let me just begin by asking you some personal information.

Would you give us your full name and your present home address and business address.

A I have no business address.

My name is Charles Thomas Clag~~g~~ett, Jr. I go by the name of C. Thomas Clag~~g~~ett, Jr., for family reasons. I live -- do you wish me to continue?

Q Yes. I was going to say, where do you live?

A [redacted]

Q What is your date of birth, Mr. Clag~~g~~ett?

A November 19, 1914.

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Q Do you recall your Social Security number?

A [redacted], I believe. I'd better check that.

(A pause.)

[redacted]

MR. MC GOUGH: Let's mark this as Deposition Exhibit 1, if we could.

(Exhibit 1 identified.)

BY MR. MC GOUGH:

Q Mr. Clagett, I am going to show you what has been marked as Deposition Exhibit 1, which I believe is a subpoena which was served upon you a few days ago. Is that correct?

A That is correct.

Q It includes with it a request --

A I don't know that I have read this.

Q Well, let me summarize the Request for Document Production. It requested that you produce, essentially, documents relating to the National Endowment for the Preservation of Liberty.

A Well, I can answer that question right quickly. I have no documents in my possession.

Q I understand that.

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A The documents I did have have been turned over to the grand jury. What grand jury is that?

Q The Independent Counsel.

MR. FLYNN: Judge Walsh.

THE WITNESS: They are not in my possession.

BY MR. MC GOUGH:

Q You did, however, give to our investigators copies of four checks.

A That is correct.

MR. MC GOUGH: I would like to have marked as Deposition Exhibits 2, 3, 4 and 5 --

THE WITNESS: Let me look at those, please.

MR. MC GOUGH: Sure.

(A pause.)

(Exhibits 2-5 identified.)

MR. MC GOUGH: Mr. Buck, Ken Buck, who is Assistant Minority Counsel for the House Committee is going to join us.

THE WITNESS: Minority or majority?

MR. MC GOUGH: He's minority. Mr. Fryman is majority.

BY MR. MC GOUGH:

Q Mr. Clagett, could you tell me your educational background, please.

A Normal grade schools, and so on. College, for the B.A. degree, St. Johns College in Annapolis, Maryland, 1939, period.

Q Do you have military background?

A Yes, I do.

Q Could you tell me that military background?

A I was with the United States Navy Reserve. I went on active duty in March 1941 and on inactive duty, 1945, about November, I believe. I believe it was the day after the bomb was dropped and after things were over. I stayed in the Reserve until I had my back work done, and I was doing all right, and I just got out. I should have stayed in, frankly. I'd have got some nice retirement pay.

Q You say you went out into business. There's obviously a considerable period of time between the time you left active duty and today.

Could you give me just a general summary of your line of work?

A A general summary. Before I went into the military, into the Navy, I worked for the telephone company, Chesapeake & Potomac here in Washington. Upon my return from active duty, it was obvious that the people who had not gone into military service were up here, and I was going to have to come back there at much lower, so I decided not to return.

I then did various things. I sold airports to local communities. I had a piece of an airport engineering outfit, located in Washington DC I ~~worked for in Wilmington~~. Another guy and I started a trotting track in Laurel Maryland. I got into the coal mining business in Illinois. Coal, at that time, everybody thought was dead. And I got involved in the coal mining business, and that is where I ended up. Having mining endeavor.

Q Where was your coal mining business located?

A Southern Illinois and Western Kentucky.

Q Did you, at some point, retire, or are you still actively employed?

A No, I am not active any longer in that. I was in that business for some 30-some years. In 1972, I believe it was, '72, '73, my company was merged into Houston Natural Gas on a stock exchange ~~transfer~~, and I went on the board of Houston. And I retired from my work with Houston Natural

Gas this past year, the beginning of '86, '85. And now I am tending to my own affairs.

Q Could you tell me the first contact you had with the National Endowment for the Preservation of Liberty?

A I believe I received some kind of a communication through the mail.

Q Do you remember who had signed that communication?

A I believe Channell signed it.

Q That would be Carl Channell?

A I would think so.

Q Do you remember what the substance of that communication was?

A Asking for money for support of the anti-Sandinistas.

Q Did it indicate what kind of support would be provided to the anti-Sandinistas?

A I don't remember what kind of support that letter might have said. I don't have it. It went out? I sent them, I believe, $50 or something. I don't know.

It struck a chord with me, however.

Q Do you remember --

A Let me finish this, please. It struck a chord, because of the fact that I have watched the infiltration of communists, Soviet Union and communism into the underbelly of this country, beginning with Cuba. I saw the influence of it back in the '30s, in College really at the beginning, and I saw it down in through the islands and in through the isthmus, and in my opinion, it is going to keep coming, if we don't stop it. And our country will then be in a horrible situation.

Q And it was this letter from NEPL, or NEPL, as we've called it, that struck this chord with you?

A Yes, it struck a chord with me, yes.

Q Do you recall approximately when you received that letter?

A Not exactly.

Q Let me give you a point of reference. I believe you told Mr. Flynn that you made a visit to the White House on November 21, 1985. With reference to that day, that visit to the White House, do you have any idea?

A I was confused in that conversation as to the exact date, whether it was the 30th or the 21st, or what have you or January or November. I'm not sure. I indicated that at that time.

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Am I correct on that?

MR. FLYNN: Yes. Approximately.

BY MR. MC GOUGH:

Q Let's say approximately the end of 1985 or early 1986.

Can you, in reference to that, tell me how long before that visit you might have received this initial communication from NEPL?

A No. I don't -- I didn't think it was all that important. I have received many communications for money for political and other things. And I hope I am a loyal, patriotic American, and I have sent money to various -- as a result of various letters that I have received in the defense -- requesting money for the defense of our country. And I have been very, very unhappy and very concerned about the unfortunate -- in my opinion, unfortunate way our Congress has allowed foreign influences into this country. It disturbs me deeply.

Q Was there ultimately -- did you ultimately have contact with a man by the name of Chris Littledale?

A Yes, I did.

Q Can you tell me how that happened?

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A He came to see me. He telephoned and telephoned and telephoned and then came to see me. And the whole background of it was, the contras against the Sandinistas, against the communist influence, infiltration. And again, it struck a chord, because if Nicaragua falls to the Russian influence, then it is going to be a bunch of dominos coming right up the isthmus, in my opinion. And I don't like that at all.

Q When Mr. Littledale visited you, did he visit you at your apartment in the Watergate?

A Yes, he did.

Q Did he, at that point, solicit money from you?

A He did.

Q Did he tell you what the money would be used for?

A I could not specifically say exactly what it would be used for. He talked about helping the resistance to the Sandinistas.

MR. MC GOUGH: Excuse me. We will go off the record for one second.

(Discussion off the record.)

BY MR. MC GOUGH:

Q We were talking, I believe about Mr. Littledale's

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visit to you. And you said that he solicited money to assist the contras.

I had asked you if you could remember what kind of assistance he spoke of at that meeting.

A The conversation, as I remember it, was general, and I don't think that I could point to any specific usage. I am, having served in the military myself, I am aware that it takes many things to support a military operation, which is what the contras are trying to do, with very little assistance from our country.

Q There came a time, did there not, when you visited the White House and made a visit to the Hay-Adams Hotel and the White House?

A Uh-huh; yes.

Q Let's put a frame on it. I believe you told Mr. Flynn sometime late in '85 or early '86.

A Correct.

Q Can you tell me, first of all, how were you invited. How did the invitation come to you, if you recall?

A I believe it was --

MR. FLYNN: A mailgram.

THE WITNESS: Mailgram, what you call it.

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BY MR. MC GOUGH:

Q Obviously, you responded that you would attend?

A Yes, I did.

Q Can you tell me where you went first?

A I went to the Hay-Adams, I believe.

Q What happened at the Hay-Adams; do you recall?

A Again, I do get confused, because I have been at the Hay-Adams a couple of times. That particular time, when we went to the White House, I believe we gathered there, went over to the White House. I believe it was in the afternoon, later in the afternoon. And we went over to the Roosevelt Room and various people talked to us. And then Mr. Regan came into the room first, shortly thereafter, greeted us, and shortly thereafter, was followed by the President, who greeted us in a very warm manner and a picture-taking session ensued, after which the President left. And then we left to go back to the Hay-Adams, if my memory serves me correct, where we had dinner.

MR. FRYMAN: Could we go off the record for one second.

(Discussion off the record.)

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MR. MC GOUGH: Let's go back on the record.

BY MR. MC GOUGH:

Q Let's back up for a moment. When you went to the Hay-Adams Hotel, who was there from NEPL, do you remember?

A What is "NEPL"?

Q I'm sorry. N-E-P-L -- The National Endowment for the Preservation of Liberty.

A First, Channell, and I think the other guy was there too.

Q Littledale?

A I think so. I'm not positive.

Q When you first went to the Hay-Adams, do you know if there were any government people there, anyone from the White House?

A Vaguely. I think there was a gentleman from the White House, who came over with us and got us ~~in~~ into The White Hse. I'm not positive of that, but I suspect, I think so.

Q So you went to what you believe was the Roosevelt Room in the White House, and Donald Regan came is; is that right?

A That was after we had been talked to by others.

Q Do you remember who else talked to you at the

White House?

A No, I do not. I could not name them. I'm lousy on names, really.

Q That's all right.

Was Colonel North one of the people who spoke to you initially, if you know?

A I'm not sure whether Colonel North was over there at that time. I know that Colonel North -- my recollection is that Colonel North talked to us at the dinner. Now whether he was at the White House with us, I could not recall.

Q Do you remember what the topic was before Donald Regan came in? Do you know what the topic was of the presentation?

A The concern of what the Sandinistas were doing to Nicaragua, and they had to be resisted. That was the general idea of the whole thing.

Q Did anyone at -- well, let me start again.

Do you remember what, if anything, Mr. Regan said?

A I don't remember what he said. I indicated there were reasonable pleasantries. Beyond that, I'm damned if I know, and the President, the same way. He was very

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pleasant, but specifically, I think you fully realize in a situation like that, that Mr. Regan and President Reagan are going to be gracious, and that is probably about all.

Q I understand that.

A I hope you do.

Q At any point during that day, did you see any other government officials that you might have recognized? Vice President Bush?

A No, I don't recollect seeing Vice President Bush at that particular time.

Q Would you know Elliott Abrams, Under Secretary of State?

A I know him by name. I'm not too sure what he looks like. I've heard him; I've seen him on TV, and I happen to admire him.

Q But as far as you know, you did not see him -- you just don't remember seeing him that day?

A Not specifically.

Q How about Admiral Poindexter?

A No, I don't believe I've ever seen Admiral Poindexter. I may have, but I wouldn't remember it. I don't think I have.

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Q During your visit to the White House did anyone bring up the subject of contributions or solicitations for money?

A My friend, what do you think Channel and Littledale were doing all the time?

Q I understand.

A Now if you want me to say they did it in the White House or out the White House, I can't say that; I don't know. All I do know is that they were after money all the time.

Q After the White House briefing, you went back the the Hay-Adams Hotel, as best you recall?

A That's my remembrance.

Q I believe you told Mr. Flynn that Colonel North and Mr. Calero and a freedom fighter --

A Two freedom fighters, I believe.

Q -- two freedom fighters were at the hotel.

A I believe so.

Q Do you remember what happened at the hotel? Was there a presentation of any kind?

A Oh, yes. They got up. Calero talked to us. Colonel North talked to us. And it was a very interesting

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situation. They tried to tell us what was going on down there, and it was not very pleasant.

Q Do you remember if Mr. Channel or Mr. Littledale spoke to the group at the Hay-Adams?

A I believe probably -- I think Mr. Channell did, and I know that Littledale talked to me, and so did Channell.

Q Now you indicated that at that point or at some point during that day, you were solicited for money.

A I was.

Q And that you pledged $20,000.

A I pledged $20,000.

Q Can you tell me, was it in the open group? Was it an open solicitation, or was it someone who approached you individually?

A Well, I think it was in the room, and there were other people there, as I remember. They didn't get me in a cubbyhole and talk to me; no.

Q Do you remember to whom you pledged the money?

A To the effort to counter the Sandinistas.

Q How did you make the pledge? Did you stand up and say "I will pledge"?

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A No, I didn't stand up, make a hero, and this, that and the other stuff, no. There was a sheet of paper on which I indicated I would pledge $20,000.

Q At the time you pledged that money, what did you understand it would be used for?

A You guys tickle me. You irritate me too. You're trying to pinpoint something, and I don't know what it is you're trying to pinpoint, but I am trying to answer it truthfully, as best I know how to answer it.

I wanted it. Me, I wanted it for military action against the Sandinistas. That's what I wanted. That was my desire.

Now whether they came out and asked for this and asked for that or asked for something else, I don't know. I have my own ideas about things and what is right and wrong, and I try to follow this. And I certainly wanted it, in my mind, to go for military purposes.

Q Did anyone indicate to you --

A And I believe the newspapers said some crack that I made about, I was not interested in lollypops and soda pops.

Q I understand that. You would not have given the

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money, had you thought it was just going for humanitarian aid?

A Supposedly, our wise and wonderful Congress, in its wisdom, restricted all aid except humanitarian, I believe, at one point, which I think is a sad commentary. I have given money for humanitarian reasons to many things, possibly including this one, but in my own mind -- and I am trying to answer you -- and you're gettin' me irritated. You keep pressing about something -- I wanted it to go for military purposes. Me.

Q I understand that, Mr. Clagett.

A Thank you.

Q I don't want to get you irritated, but I do want to press a little bit, because the issue that we're very concerned about here is whether, (a,) the money went for military purposes, as I understand you wanted it to, and (b,) if so, who directed it to military purposes.

A I will answer that very succinctly.

Q Thank you.

A I do not audit their books, nor did I demand a return statement to me to exactly the purposes that money would go for.

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Do I make myself clear?

Q Yes, but I don't think you answered quite the question I was about to ask.

A Well, why don't you ask the question flat-out?

Q Did Mr. Littledale tell you or indicate to you that the money would go to military purposes?

A I say it again, sir, that it was _my_ desire that the money would go for military purposes. I am not going to start now, nor will I in the future, nor have I in the past, to my knowledge, said that they told me where they wanted it to go.

Q Is that because you don't want to say that or because they didn't say that?

A I'm trying to tell you the truth.

Q I understand, sir.

A Okay. And I want to be very careful about this.

Q I understand that.

A Because I do not know, in my own mind, and I do not care, in my own mind, whether they asked for humanitarian aid or this or that or a bayonet or a gun. I know I wanted it to go for military aid, and specifically, I think I have mentioned before, that I would hope that it would be some kind of a weapon which would shoot down the damned HIND-D helicopters that our government has allowed to enter the fray down there.

Q I understand. I don't want to put words in your mouth, Mr. Clagett.

A You're not going to put words in my mouth, sir.

Q I don't think I could if I wanted to, but are you telling me that you don't know or don't recall --

A You have my answer, and that's all you're going to get, Doc. I've done the best I know how, and you're not going to twist me.

Now, your problem is, you're a lawyer; I'm not. But I've had to deal with lawyers that like to twist things to their own purposes. I'm not going to play lawyer. I'm going to tell what I honestly think, and I've already done it.

Q All right.

A I don't mean to get hot about this.

Q I don't mean to get you hot.

A You've got an answer which I think is a proper, truthful answer and all I know about it.

Now if you want me to say something else, I'm not going to do it.

Q Then let me ask another question, and that is, we've covered Mr. Littledale.

Did Mr. Channell ever indicate to you, to the best of your recollection --

A I covered both of them, when I answered that.

Q The answer is that you do not recall them indicating to you that it would go for military aid?

A Wait a minute. I didn't say anything about that.

Q That's my question.

A I don't know. I tried to answer this honestly and truthfully.

Q That's all I want?

A That's all I'm trying to do. Now you're trying to get me to say something that I'm not sure at all about. You're trying to get me to say that Mr. Littledale wanted it to go for X this or X that. And I'm sorry, I can't give you that answer.

Q Let me just tell what I'm trying to ask, and then I'll ask it.

My question is going to be, what did Mr. Littledale say or Mr. Channell?

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A I don't remember exact words or what Mr. Littledale said or what Mr. Channell said.

Q That's a fair answer, but let me finish the question, and then you can give that answer; all right?

My question is, if you remember, did either Mr. Littledale or Mr. Channell indicate to you or tell you that the money would be used for military aid, if you know?

A I've tried to tell you this several times. You keep coming back to it.

Q If you answer that question no, you don't know?

A I don't think so. I don't know.

Q That's fine. We can close that.

A All I do know, and I'll repeat myself again, that I wanted it to go for military purposes. Now I am not going to be able to say, if I remembered exactly, that they asked to go for weapons or something, I would have told you so. I'm not at all sure of that. Therefore, I tried to give you a decent answer, a proper answer.

Q I think you just did. Now did you tell them that you wanted it to go for military aid?

A Yes, I did.

Q Who did you tell that to?

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Q I told that to Channell, Littledale, to North, all three of them, at different times. I hate the idea of the Russian military supplies to the Sandinistas coming in to the isthmus and those HIND helicopters. If you know anything about a weapon, that's one of the most horrible weapons you could imagine.

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Q On those occasions, when you indicated to Channell, Littledale and North, that you wanted your contribution to be used for military aid, to the best of your recollection, did they ever say no, we can't use it for that?

Did they ever outright tell you they couldn't?

A Now wait a minute, you're going around the back door on the same question.

Q Maybe.

A Yes, you are. You've already gotten my answer, sir. You're not going to go around the back door on me.

Q Let's change it to the front door.

A Just stay in the front door, will you?

Q Did they ever say they could not, they were not allowed to use it for military aid?

A No. I don't think they did, nor should they have, in my opinion.

Q Thank you.

Now you had a private briefing with Colonel North at the White House.

A I did.

Q I believe you told Mr. Flynn that it was sometime

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in early '86, perhaps in January.

A I think so.

Q That took place in Colonel North's office.

A That is correct.

Q Was there anyone else there, other than you and Colonel North?

A When he and I sat down, no.

Q Did someone go to his office with ~~me~~ you?

A Channell. I'm not sure whether Littledale did or not, but I think Channell did.

Q But when you went into the office, it was just you and Colonel North?

A When I went into tha outer office, they were there. Then Colonel North had -- he and I went in another room. We sat down, and we talked. And I happen to admire him greatly.

Q You discussed with Colonel North, I believe you said before, Redeye and Stinger missiles.

A I discussed. We had a generalized discussion about the situation and what was going on down there about the helicopter ~~tax~~ attacks on the contras, and so on, you know. He was trying to bring me up-to-date about what the situation,

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militarily, was down there, and it was pretty damn sad. And I evidenced the hope that there was some way of shooting down these damn helicopters. We got on the subject of missiles. "Do you have any?" "Well, they're hard to get and they're expensive."

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I think he told me they didn't have any at the time. And I said, "Well, I'm going to give you the money, and I hope you can get at least one. How much are they," as I recollect. And he said, "Somewhere around $23,000, and you couldn't get them in this country. Anything like that. They'd have to be gotten somewhere outside of the country." And I said, "Well, I think the French and the British have got some." "Well, we may able to get some British-made ones" -- or something. I don't know. It was generalized discussion. And there's no way I can pinpoint any closer to that, so I suggest you don't attempt to.

Q You indicated you told Colonel North that you would be making a contribution.

A Yes, sir. And I hoped for a Stinger or a Blowpipe or something that would shoot down the damned helicopters. That's what I wanted. And I'm not ashamed of it either.

Q After the meeting, you then, in effect, made your

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pledge or paid the $20,000 to NEPL?

A Whatever that date was.

Q We can put a date on it.

A The check's dated.

Q It says January 16.

A It speaks for itself.

Q That's Exhibit 3. Just to get the sequence correct in mind, this check came after the White House briefing and after your meeting with Colonel North, as best you can recall?

A I think so. I believe so, yes. I think so.

Q There is a check which's been marked as Exhibit 5, which is one dated April 16, 1986, for $5000.

A Oh, yes.

Q Do you recall?

A I recall this thing.

Q Can you tell me about that?

A Because first Channell and Littledale telephoned, telephoned, telephoned, telephoned, telephoned. They needed more money, they needed more money, they needed more money.

So I said, all right, I'll give you another $5000, and that's the end of it, is what I said. I'd gotten irritated by then at them.

Q All right.

A I have seen congressional, House and Senate both, attempts at raising Election campaigns money, and the minute I sent the money into them, by the very return mail, they say, oh, that's fine, send me more. And it gets tiresome. And after a while I get fed up, like I hope any ordinary human does.

Q I understand that.

A So I gave them $5000 more, and I said that's all, Buddy.

Q Now I'm going to show you a check marked Exhibit 4. That's a check to the American Conservative Trust, for $1000.

A Yes.

Q It's dated October 30, 1986.

A Now I'm going to say something to you, my friend, the American Conservative Trust -- and you have a lot more knowledge than I do -- and the National Endowment for the Preservation of Liberty, to me, are two different things.

Q Right.

A Right? I don't know. Maybe they're the same thing in your mind.

Q No. Let me just ask --

A And so I find that Channell signed that letter, but I believe that the indication was that it was for some other purpose than the contras and Sandinistas.

Q But as best you can recall, that was a solicitation from Channell that resulted in a contribution to the American Conservative Trust?

A Yes.

Q All right.

A After having been a conservative Democrat, I am now a conservative Republican.

Q I'll show you also another check you provided to our investigators, and that is Exhibit 2, which is a check for the Council for Interamerican Security.

A Now, I'm not sure who signed that letter. It might have been somebody else, I don't know. It might have been the same thing, but I sent them $50.

Q That was back in 1985?

A This was '85, in March.

Q You don't know, sitting here today, whether that has any connection?

A I think that might have been the original contact

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right there. It could well have been, "Help Nicaraguan Freedom Fighters." That could well have been the original contact.

Q All right.

A I suspect it might have been original.

Q Let me ask you who, at the National Endowment for the Preservation of Liberty dealt with you. You dealt with Channell. You dealt with Littledale.

Did you deal with someone by the name of McLaughlin?

A No.

Q Jane McLaughlin, a woman.

A Not to my knowledge.

Q How about a Stephen McMahon?

A No.

Q Did you ever hear of an account or a project called the Toys Project?

A The newspaper boy asked me that question, and that's when he got his answer. And I'll give you the same answer.

Q Please do.

A No. I knew nothing about a damn Toys thing. I

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don't know of a Mr. Miller. I don't know of a Mr. Kuykendall. I don't know Mr. Robert Owen.

Q Are you reading from the subpoena?

A Yes. I am reading from here.

Q We can shorten this up, because I have only a few more names I want to ask you about.

A Okay.

INT (I think is the spelling)

Q Have you ever heard of International Business Communications or IBC?

A IBM, I'm very familiar with.

Q This is IBC.

A IBC, I'm not at all sure.

Q You already mentioned Mr. Miller.

Have you ever met or did you ever hear of a Frank or Francis Gomez?

A No, not to my knowledge.

Q How about David Fisher, who would be associated with --

A Wait a minute. There is a Fisher, another conservative fund raiser by the name of Fisher somewhere in the United States, out here in Virginia somewhere, whom I've sent money to, but I don't think --

Q Not this David Fisher?

A I don't think so.

Q All right. We've already talked about a number of government officials.

A Oh, we have?

Q We talked about --

A I didn't know that.

Q We talked about Regan, President Reagan ~~Reegan~~, Poindexter, North.

A Oh.

Q Abrams.

My question is, in the course of your dealings with the National Endowment for the Preservation of Liberty, did you come into contact with any other government officials, other than the ones we've discussed?

A If I did, I don't remember, and that is an honest truthful answer.

Q At any point in your dealings with the National Endowment for the Preservation of Liberty, were you asked to refer to Colonel North by any other name?

A Does he have another name?

Q Have you ever heard the name "Mr. Green"? No one ever told you to call him "Mr. Green"?

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A No. Emphatically, no.

MR. MC GOUGH: Let me step outside with Mr. Flynn, Mr. Fryman and Mr. Buck for a while, and we may be able to wrap this up.

(Recess.)

EXAMINATION

BY MR. FRYMAN:

Q Mr. Clagett, in your answers to Mr. McGough's questions, you referred to a meeting at the White House, I believe, in January 1986.

Do you recall that?

A Wait a minute. You're putting a date on it now.

Q In early 1986.

A Well, I think so. I think it was early 1986.

Q In connection with this meeting, there was also a series of meetings with representatives of Mr. Channell's organization at approximately the same time; is that correct?

A You're generalizing with "representatives of his organization."

I don't understand who you mean.

Q Did you meet with Mr. Channell at approximately

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the time of the White House meeting?

A Yes.

Q Did you meet with Mr. Littledale at approximately this time?

A I believe so.

Q Do you recall if you met with anyone else from Mr. Channel's organization at approximately this time?

A There might have been other assistants, helpers, or something, but nobody other than Calero, North, the two freedom fighters and some of the other guests whose names I really don't remember.

Q And the only persons associated with Mr. Channel's organization that you recall meeting with, specifically, are Mr. Channell and Mr. Littledale; is that correct?.

A Yes; that's correct.

Now, as I say, I may have met others.

Q That's right, but your specific recollection now is limited to those two?

A That would be it.

Q Now apart from the meeting at the White House, these additional meetings were held at the Hay-Adams Hotel; is that correct?

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A Yes. I think that's the proper answer to that.

Q Now --

A Pardon me. I believe I indicated earlier that we went back -- I believe we went back to the Hay-Adams and had dinner.

Q Right.

A Is that the additional meeting you're referring to?

Q Yes, that's part of what I'm referring to.

A Well, stick to what you're referring to, because I don't know about other meetings down there with them.

Q Well, did you have any meeting with Mr. Channel before you went to the White House?

A Yes. I met with Channell before. He came up to my Watergate West, to my library there. Yes, I've met with Channell before.

Q I'm sorry. My question was not properly framed.

Mr. Clagett, I mean at approximately the same tim of the meeting at the White House, before you went to the White House, did you have any meeting with Mr. Channell at that time?

A What do you mean by "a meeting with Mr. Channel

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at that time"?

Q Did you speak with him?

A Certainly, I spoke with him.

Q Did you go directly to the White House that day?

A That is my recollection, and my recollection is that we met downstairs in the lobby and all ganged up there, and then took off to the White House.

That is my recollection. I do not believe that I had a separate meeting, if that's what you're referring to, with Mr. Channell.

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Q When you say "the lobby," what lobby are you referring to?

A I do believe that the Hay-Adams has only one lobby.

Q Is it the Hay-Adams that you are referring to?

A That is correct.

MR. FRYMAN: Off the record again.

(Discussion off the record.)

MR. FRYMAN: Back on the record.

BY MR. FRYMAN:

Q In connection with this White House meeting in January or early 1986, you first gathered, you recall, in the lobby of the Hay-Adams Hotel, and then you went to the White House, is that correct?

A I believe so.

Q And then after the briefing at the White House you returned to the Hay-Adams Hotel and you had a dinner, is that correct?

A I believe so.

Q And at the dinner, the persons who attended included Mr. Channell, Mr. Littledale, Mr. North, and Mr. Calero, is that correct?

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A I believe so, and I believe that two small-sized freedom fighters were brought in.

Q Two freedom fighters and other donors, potential donors?

A Yes.

Q And possibly other persons attending?

A Possibly other persons.

Q Right.

Now, following this meeting, was that the time that you made the contribution of $20,000, which is reflected in Exhibit 3?

I will show you.

(Handing document to witness.)

THE WITNESS: No. That was not the time I made this contribution, the check for $20,000, no.

BY MR. FRYMAN:

Q That contribution was made in advance of the White House meeting?

A Wait a minute now, whoa.

(Pause.)

Q What is the date?

A Wait a minute, please. I am trying to get a

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proper answer for you, sir, and I don't appreciate being interrupted in my thought process. I don't mean that in a mean way. I am trying to think here, and this is -- my diaries and things I wish I had.

My recollection is that I at the time of the dinner signed a so-called pledge for $20,000. My recollection is that I believed after meeting with Colonel North I then wrote a check.

I also recollect that I was asked to give the money in 1985, and my accountant suggested that because it was supposedly a tax-deductible item that I wait until 1986. In 1985, I was on -- what do you call the minimum tax payment thing -- because of retiring and having another merger, having my stock in Houston being paid for in cash. That put me into a minimum tax bracket thing.

So there was a delay from the time I made my commitment at the Hay-Adams and the actual date of the check.

I hope that answers.

Q Mr. Clagett, did that reflection refresh your recollection that the White House meeting and the pledge at the Hay-Adams would have occurred before January 1986?

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A It is very possible.

Q So that could have been sometime in late 1985?

A That might have been back in November.

Q Of 1985?

A It could well have been, yes.

Q And at that meeting and the follow-up dinner at the Hay-Adams, you signed a pledge sheet of some sort?

A Uh-huh.

Q And then following that, you had a meeting with Mr. North, is that correct?

A Well, I am not sure whether that was in '85 or '86.

Q But it was after you signed the pledge card that you met with Mr. North?

A Yes, I believe I signed the pledge at that dinner.

Q Right. So the chronology would be, first, the White House meeting, then signing the pledge; that would be the first step?

A That is where I get a little confused as to chronology. I am not one -- I haven't lost my marbles, and I am not one that goes around remembering everything under

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the sun, and I don't think you do either. And I want this on the record now. I do the best I know how.

So if you are going to try to pinpoint me on chronology when I have no reminder thing in front of me that I can pinpoint, it is going to be very difficult.

Q Well, I certainly don't want to put words in your mouth, and I am well aware that it is impossible for me to do so if I did want to do so, but I just direct your attention to the exhibit that is in front of you, which is Exhibit 3, which has a date of January 16, 1986.

Now, that is one document that fixes a specific point in time?

A Yes.

Q Am I correct in understanding that you drew that check on or about January 16, 1986?

A Oh, yes, sir.

Q So the meeting at the White House and the pledge card that you signed, which you have described, would have occurred at some point before January 16, 1986?

A I think so. I believe so.

Q All right.

And before you signed this check, you also had a

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meeting with Mr. North. I believe you have testified to that.

A I may have testified to it. I think if I did testify to it I said, I thought.

Q And that is your best recollection?

A That is my best recollection at this time.

Q Correct. That is all we can ask for.

A I am trying to do the best I can to answer you truthfully, sir.

Q Correct.

Now, you have testified that your objective in drawing this check was to make a contribution for military aid to the Contras, is that correct?

A That is correct.

Q Specifically, you had a hope that this would be used for some sort of military aid to deal with these helicopters that were a real problem in your mind, is that correct?

A In my mind they are a real problem, and in my mind I hoped this would go for some kind of equipment that would shoot them down.

Q Correct.

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A Yes, sir.

Q Now, what was the reason why you believed making a contribution to the National Endowment for the Preservation of Liberty would in any way meet these objectives of yours?

A Well, when you attend a dinner and you have a man by the name of Calero, Colonel North, and two freedom fighters up there telling you what is going on down in Nicaragua, it became, at least in my mind, very obvious that they were asking for and needed -- whether they told me they wanted arms or not I don't know, but it became obvious in the general overall sense that the need was military assistance, and that struck a proper chord with me and I was very happy to do so, make money available for what I wanted in the way of military, leaving some of the so-called humanitarian things up to others.

Q Right.

Did you discuss your objective in this contribution with Mr. North?

A I believe I have indicated in the past and I will indicate again that I indicated to Mr. North, Colonel North, that it was my desire and hope that the money I was giving,

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or did give, whichever timeframe it was in, would go toward some kind of equipment which would be utilized to shoot down Russian armaments in the form of a HIND-D helicopter, and it was my desire -- and this I evidenced to Colonel North and to others like Channell and Littledale, whoever might have been at hand -- I still feel that way, and I am very pleased that I do feel that way.

Q When you made this statement to Colonel North, what did he say in response?

A I could not give you his exact words.

Q I am not asking for that.

A I think he was pleased. I suspect that he was pleased, and that is about as far as I can say.

Q I am just asking for your recollection, your best recollection now.

A My recollection, sir, I do not have a camera mind. I do not take pictures with my mind that are always there. It is like a TV show that is on, and then it goes on to the next thing. I am not a storage house for every little detail of everything.

Q That is understood, Mr. Clagett.

A Thank you.

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Q But let me just ask this once more. In this conversation you have a fairly specific recollection of what you said?

A Uh-huh.

Q And I am not asking you to give me any verbatim account of what Mr. North said in response, but since you do have a fairly clear recollection of your side of the conversation, I would ask what is your best recollection today of Mr. North's side of the conversation and what he said in response to your comments?

A I was not inside Mr. North's head. I can only answer that again, as you have just said, my recollection.

Q Correct.

A So I cannot answer for Colonel North. However, I did get the sense that he was pleased.

Q And what statements did he make, approximately, that gave you that sense?

THE WITNESS: Off the record.

(Discussion off the record.)

MR. FRYMAN: We will go back on.

BY MR. FRYMAN:

Q Going back on the record, Mr. Clagett, in this

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meeting with Mr. North, after you made the statements which you have just described, what is your best recollection today of Mr. North's statements or reaction?

MR. FRYMAN: Off the record, please.

(Discussion off the record.)

(Whereupon, the reporter read the record as requested.)

MR. FRYMAN: I believe there is a pending question, Mr. Clagett, that related to what statement that Mr. North made that gave you this indication that he was pleased.

BY MR. FRYMAN:

Q Would you answer that question?

A I do not specifically recollect any statement that he might have made. I indicated to you, I believe, previously, that he struck me as being pleased. If I had been in his position, I would have been very pleased. After all, he was trying to do something for the Contras, and if somebody wants to give him money to buy something to shoot down a helicopter, if I were Colonel North I would be very pleased, and this was my sense.

Actual[illegible] statements that he might have made, I do not know. I hope that answers your question.

Q In the meeting with Colonel North, did he show you any document or any sort of piece of paper?

A He might have. My recollection is that we discussed more or less some of the problems there of how they were moving in and really cornering some of the Contras.

Documents, I am not sure I understand what you are referring to. We did not go into a great deal of detail, no. It was generalized conversation basically.

Q Let me ask a more specific question. Did he at any point show you any sort of a sheet of paper that had any list or description of weapons on it?

A Oh, no, sir, not to my knowledge, no.

Q Okay.

Now, after your meeting with Colonel North, did you have a further meeting with Mr. Channell before you actually wrote the check for $20,000, which is Exhibit 3?

A Specifically, I couldn't answer that affirmatively or a denial. I don't know.

Q You recall that you had expressed to Mr. Channell at some point your desire that your contribution be used for military assistance?

A Oh, yes, sir. I sure as hell did, and I might also add that inasmuch as I wanted To Think That -- this money would go for military aid, I instructed my accountant to not attempt to use that as a deductible $20,000 because when I was giving somebody some money for arms that didn't seem To me it would be very deductible apparently.

I have been audited by the Internal Revenue before, and to me that would be a beautiful red flag for trouble. So I instructed my accountant not to attempt to deduct that.

Q Who is your accountant that you spoke with?

A I don't think it is of any necessity for me to name him to you, sir. They are my accountants. They are not involved in this whatsoever, and I resent that question.

Q I feel I have to ask the question.

A I will refuse to answer you, sir.

Q All right.

A Why do you want their names?

I want this on the record.

Q Mr. Clagett, generally, the rules at depositions are that lawyers ask the questions and the witness answers

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the question.

A Sir, I am an American citizen, and I believe I have some rights, too. So don't cut me off that way. That is not playing fair ball.

Q I will move on then.

A I would like to have you kindly answer my question.

Q I am not pressing the question at this time. If in the event we decide we want to press the question, then our position will be made known, and we may have to have a court proceeding over this. I don't think we will.

But at the moment I have raised the question, you have declined to answer it, and I am moving on to something else.

THE WITNESS: Can we go off the record?

(Discussion off the record.)

BY MR. FRYMAN:

Q Now, Mr. Clagett, you have testified that you indicated to Mr. Channell that you wanted your $20,000 contribution to be used for military assistance to the Contras?

A Yes.

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O Did you indicate that to Mr. Channell on more than one occasion?

A I may have.

O Do you have any specific recollection?

A I have no specific recollection, but I certainly may have.

O But you have a specific recollection of at least once?

A If I had a specific recollection, I would try to tell you.

O You recall telling this to Mr. Channell?

A I do, indeed.

O All right.

A May I add that I still feel the same way, and I don't mind telling him again if the occasion were tomorrow.

O What did he say in response when you told him that?

A Oh, I don't know.

O What was his reaction?

A You are trying to be very specific again, and I do not know, and I don't remember his reaction.

O Did you tell this to Mr. Littledale?

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A I certainly might have told it to him, too, and I don't remember his reaction.

Q All right.

A I am sorry. As I say, I am not a court reporter, and I don't remember everything. I haven't written it all down.

MR. FRYMAN: Mr. Clagett, that completes my questions. Thank you very much for bearing with me.

THE WITNESS: Thank you for bearing with me, too.

MR. FRYMAN: I think Mr. Buck may have a couple of questions.

EXAMINATION

BY MR. BUCK:

Q Mr. Clagett, my name is Ken Buck. I am the Assistant Minority Counsel with the House Select Committee.

First, let me thank you for coming here today. Just two or three quick, short questions. Hopefully, it won't require much explanation or aggravation.

Did Colonel North ever ask you for money?

A Colonel North?

Q Colonel North.

A My recollection is he did not. My recollection

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is that Channell and Littledale were the people who asked me directly for money.

Now, it may have been at the dinner that Colonel North might have indicated to the assembled group that the Contras needed support, but specifically, I don't remember him ever asking me for money.

Q Okay. The last hour and a half I am starting to get some sort of picture of what went on here. It seems that Colonel North and some of his aides gave an overview of what the situation was in Nicaragua in terms of military conditions and Mr. Channell and his group were the fundraisers.

A I think that would be a proper overview, in my opinion.

Q Just one more question, Mr. Clagett. You mentioned to Mr. Channell and perhaps to Mr. North that you wanted your money to go for military purposes.

My question is did they ever assure you that that money would go for military purposes?

A I thought I tried to answer that earlier.

Q I am sorry if it is repetitive.

A I don't know whether I successfully answered it

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to you gentlemen's satisfaction. My sense is -- and that is all I can give you -- that they were reasonably pleased about that.

Q Okay.

A That would be my sense, and that is about the best I can do.

MR. BUCK: I have no more questions. Thank you, Mr. Clagett.

MR. MC GOUGH: Nothing further.

(Whereupon, at 10:30 a.m., the taking of the deposition ceased.)

C. Thomas Clagett

C. THOMAS CLAGETT, JR.

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, David L. Hoffman, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

David L. Hoffman
Notary Public in and for the
District of Columbia

My Commission Expires 6/30/90

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UNCLAS [illegible]

TRANSCRIPT OF PROCEED[illegible]

SELECT COMMITTEE TO [illegible]

ARMS TRANSACTION[illegible]

UNITED STATES [illegible]

AND

SELECT COMMITTEE [illegible]

TO IRAN AND THE [illegible]CARAG[illegible]

UNITED STATES [illegible]

Page[illegible]

Partially Declassified/Released on 23 DEC 87
under provisions of E.O. 12356
by [redacted], National Security Council
K. JOHNSON

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(ORIGINAL)

SELECT COMMITTEE TO INVESTIGATE COVERT
ARMS TRANSACTIONS WITH IRAN
U.S. HOUSE OF REPRESENTATIVES
AND
SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION
UNITED STATES SENATE

- - -

Monday, July 6, 1987,
Washington, D.C.

Deposition of ALFRED C. CLARK and GREGORY L. ZINK, taken on behalf of the Select Committees above cited, pursuant to notice, commencing at 4:55 p.m. in Room 901 of the Hart Senate Office Building, before Terry Barham, a notary public in and for the District of Columbia, when were present:

For the Senate Select Committee:

CHARLES KERR, Esq.
Associate Counsel

JOHN MONSKY, Esq.
Assistant Counsel

LOUIS ZANARDI
Accountant

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For the deponents:

CRAIG B. BRIGHT, Esq.
Patterson, Belknap, Webb & Tyler
30 Rockefeller Plaza
New York, New York 10112

C O N T E N T S

Examination by counsel for	Page
Senate Select Committee (Messrs. Kerr and Monsky)	3

EXHIBITS

Clark/Zink Exhibits	Markedd
1	30
2	62
3 and 4	72

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PROCEEDINGS

Whereupon,

ALFRED C. CLARK and GREGORY L. ZINK

were called as witnesses and, after having been first duly sworn, were examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

MR. KERR: Mr. Zink, would you state your full name for the record, please?

MR. ZINK: Gregory L. Zink.

MR. KERR: And by whom are you employed, Mr. Zink?

MR. ZINK: Forway Industries.

MR. KERR: And what is the address of Forway Industries?

MR. ZINK: 122 Greene Avenue, Woodbury, New Jersey 08096.

MR. KERR: What position do you hold with Forway?

MR. ZINK: Vice president and chief financial officer.

MR. KERR: And you've been employed by Forway since when?

MR. ZINK: April 1, 1986.

MR. KERR: Mr. Clark, would you state your full name, please?

MR. CLARK: Alfred C. Clark.

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MR. KERR: Where do you live, Mr. Clark

MR. CLARK: [redacted]

MR. KERR: And by whom are you employed

MR. CLARK: Clark Management Company.

MR. KERR: Their address is where, sir

MR. CLARK: It's the same address as my home.

MR. KERR: Could you give me a brief description of the business of Clark Management

MR. CLARK: It is involved in providing investment management services, which includes open market investments and venture capital.

MR. KERR: Now, you have a relationship with Forway, sir?

MR. CLARK: Yes, sir.

MR. KERR: And what is that relationship

MR. CLARK: I am a stockholder and a director.

MR. BRIGHT: Clark Management is the stockholder.A

MR. KERR: All right. But you are a director; is that correct?

MR. CLARK: Yes.

MR. KERR: Now, with regard to the stockholders of Forway at the present time, who to your knowledge are the stockholders? You have identified Clark Management as one. Who are the others?

MR. CLARK: CSF.

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MR. KERR: That is a Swiss corporation

MR. CLARK: I believe so.

MR. KERR: Any other stockholders?

MR. CLARK: Not to my knowledge.

MR. KERR: And who are the other directors of Forway?

MR. CLARK: Mr. Zucker.

MR. KERR: So there are two directors, yourself and Mr. Zucker?

MR. CLARK: Yes.

MR. KERR: With regard to the officers of Forway, can you identify the officers for me, please?

MR. CLARK: The president and chief executive officer is Ronald L. Wade. The vice president of finance and chief financial officer is Gregory Zink.

MR. KERR: Are there any other officers of the corporation?

MR. CLARK: Yes.

MR. KERR: And who might they be?

MR. CLARK: Harry Jackson is a vice president. I think those are the officers that I'm familiar with.

MR. KERR: Mr. Jackson's function is what?

MR. CLARK: I'm not quite sure what his responsibilities are at the present time, and I would ask you to ask Mr. Zink that question, if you would.

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MR. KERR: All right. Mr. Zink, can you help us out?

MR. ZINK: Yes. He's vice president and secretary, and he is effectively chief engineer.

MR. KERR: Mr. Zink, while I'm with you, can you give me an overview of the nature of the business of Forway at the present time?

MR. ZINK: Yes. Forway Industries is a manufacturer and distributor of military spare parts, ranging from mechanical, electrical, optical, a wide range of specialty made-to-order parts.

MR. KERR: Does it have any other business locations other than the Woodbury location?

MR. ZINK: There are two subsidiaries. One is an inactive domestic-international sales corporation, and that's called Forway International. The other subsidiary is an entity, Forway Properties, Florida.

MR. KERR: What is the nature of its business?

MR. ZINK: It is a real estate holding company.

MR. KERR: And it is wholly owned by the Forway parent firm?

MR. ZINK: Yes.

MR. KERR: Who are the officers of Forway Properties?

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MR. ZINK: To the best of my knowledge for the officers of Forway Properties, currently only Willard Zucker. The three other officers of that corporation have all resigned in the last year.

MR. KERR: And who would they have been?

MR. ZINK: Jacob Farber, and two individuals from a law firm in Florida who were, to the best of my knowledge, effectively officers on paper.

MR. KERR: Now, you say it's a real estate holding company. Describe a little more fully for me the nature of its business or, alternatively, what real estate it holds.

MR. ZINK: Yes. Today it holds one office building, and I believe that's in Jacksonville or Clearwater -- Jacksonville or Tallahassee. Previously, it held another building and two oil and gas wells in Oklahoma, all of which have been sold.

MR. KERR: And when were they disposed of?

MR. ZINK: The oil and gas wells, I believe in the '83, '84 time frame, and the other office building within the last two years.

MR. KERR: It was disposed of before you began your employ?

MR. ZINK: Yes.

MR. KERR: The office building in Jacksonville or Tallahassee, who is its primary tenant, if you know?

MR. ZINK: Although Forway Industries is the parent, the management of that building is not something that we at Forway Industries in Woodbury have close tabs on. I do not know the name of the tenant.

MR. KERR: In terms of who actually is responsible for the day-to-day business of the holding company, Forway Properties, who is responsible for that? Mr. Zucker?

MR. ZINK: A fellow by the name of Jerry McAllister, to my knowledge, is the property manager.

MR. KERR: And where is he located?

MR. ZINK: I believe he is in the same location.

MR. KERR: Jacksonville or Tallahassee?

MR. ZINK: Yes, correct.

MR. KERR: With regard to being able to reach Mr. McAllister, does Forway, the parent firm, have a record of where he can be reached?

MR. ZINK: I'm not sure.

MR. KERR: So if you all need to get a hold of him, you're not sure how you'd do it?

MR. ZINK: We go through -- have gone through Ben Cornelius in the past.

MR. KERR: And you better identify Mr. Cornelius for me.

MR. ZINK: Ben Cornelius was the accountant for Forway Properties prior to Ron Wade's employment at Forway Industries, and the reason that Mr. Cornelius stepped down is

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that there was a conflict of interest in that Mr. Wade and Mr. Cornelius are brothers-in-law.

MR. KERR: Mr. Cornelius does not have a relationship with Forway Properties at present, to your knowledge?

MR. ZINK: Not officially, no. He's more of a help when we need something than in an official capacity.

MR. KERR: Now, the CEO of Forway you indicated was Mr. Wade. Mr. Wade became president of the corporation when?

MR. ZINK: On April 1, 1986. He became full-time in the June-July '86 time frame.

MR. KERR: Now, just trace the interest in the corporation a bit further. Up until on or about October 3, 1986, there was another stockholder of Forway, Mr. Zink?

MR. ZINK: Yes.

MR. KERR: And who was that?

MR. ZINK: Jacob Farber.

MR. KERR: And during the period that you've been an employee of Forway, from April of '86 through October 3rd of '86, what percentage of Forway, to your knowledge, did Mr. Farber own?

MR. ZINK: Fifty percent.

MR. KERR: And the remaining 50 percent up until October 3, 1986, was held by whom?

MR. ZINK: Twenty-five percent by CSF and 25 percent by Clark Management.

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MR. KERR: And as of October 3, 1986, an event occurred that changed the stock ownership. What was that event?

MR. ZINK: The buyout of Jacob Farber's equity interest.

MR. KERR: As a result of that buyout, how did the equity interest in the corporation change?

MR. ZINK: The end result of that was that one-third of the stock was held by Clark Management and two-thirds by CSF.

MR. KERR: All right. Now, just one other bit of background. CSF you say you believe is a Swiss corporation?

MR. ZINK: Correct.

MR. KERR: All right. Its representative in terms of Forway is whom?

MR. ZINK: Willard Zucker.

MR. KERR: And this is the same Willard Zucker who is president of the Properties subsidiary; is that correct?

MR. ZINK: Correct.

MR. MONSKY: And a director at the company?

MR. ZINK: Correct.

MR. KERR: We'll come back and pick up that chronologically.

Let me take you all back and start with Mr. Clark. Mr. Clark, in terms of your relationship with Mr. Zucker,

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could you describe to me how it was that you came to know Mr. Zucker?

MR. CLARK: I met Mr. Zucker I believe approximately ten years ago in the late '70s through, I believe, a broker at Sloate, Wiseman, Murray called Nathan Abrams.

MR. KERR: You met Mr. Zucker through Abrams. Did you have occasion to subsequently do business with Mr. Zucker?

MR. CLARK: Yes.

MR. KERR: Can you describe what the nature of your business was?

MR. CLARK: I managed money for CSF.

MR. KERR: And when you say you managed money, can you elaborate on that a little bit for me, and tell me the nature of the money that you managed and the nature of the management that you did?

MR. CLARK: I managed funds that ranged between five and a high of approximately 15 million dollars on a discretionary basis.

MR. KERR: Now, with regard to these funds that you were managing, let me just focus on that for a moment. Your understanding of CSF's business is what? What is the nature of its business?

MR. CLARK: My understanding is that they are, what I believe in Switzerland is called, a fiduciare or fiduciary company, and they provide to their clients investment

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services, legal services, accounting services, and management services.

MR. KERR: The funds that you were managing for CSF, then, would be funds for which you were responsible to CSF, but as to which it has obtained some fiduciary responsibility? Is that correct?

MR. CLARK: My understanding is that they represented investment funds that were entrusted to them that they farmed out to me for management primarily in the U.S. securities markets.

MR. KERR: During the time that you were managing these funds, did you come to know whose funds ultimately these funds were?

MR. CLARK: No.

MR. KERR: Did you have occasion to talk to Mr. Zucker in general terms about whose funds it was that he was placing with you?

MR. CLARK: No.

MR. KERR: All right. Now, with regard to business activities with Mr. Zucker, you have indicated that you had funds management responsibilities with him. Were there other business enterprises which you found yourself engaged in with Mr. Zucker?

MR. CLARK: The only other business with which I was engaged with Mr. Zucker was Forway Industries. He

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brought a limited number of investment opportunities to my attention, which, to the best of my recollection, were in the real estate area.

MR. KERR: Now, you used the term "real estate area." Could you be a little bit more specific? What kinds of opportunities did he ask you to take a look at?

MR. CLARK: I believe one of them was an apartment complex or apartment building in Florida. The others -- and there may have been only one other -- were something along those same lines, but I do not remember the specifics.

MR. KERR: Now, with regard to Forway, you became involved with Mr. Zucker and Forway how? Describe the circumstances for me.

MR. CLARK: Mr. Zucker approached me and described the business of Forway and said that -- rather, described Mr. Farber and said that Mr. Farber's 50 percent partner of Mr. Blau might retire.

MR. KERR: And that would be William Blau?

MR. CLARK: Yes. And if he did that, he might wish to sell his interest. He approached me for the purpose of going 50-50 with him in buying Blau's interest.

MR. KERR: Can you place this in time for me? When did you have this discussion with Mr. Zucker?

MR. CLARK: I believe it was late in 1982 based upon the fact that the investment was made on January 11th of 1983.

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1983.

MR. KERR: And as of that time, January 11, 1983, you, through Clark Management, acquired a 25 percent interest, and Mr. Zucker, more properly CSF, acquired a 25 percent interest. Is that right?

MR. CLARK: Correct. Clark Management acquired a 25 percent interest, and CSF acquired a 25 percent interest.

MR. KERR: With regard to the cost to you of that 25 percent, can you tell me what price you paid for that 25 percent interest?

MR. CLARK: Yes. It was $925,000.

MR. KERR: Did CSF put up a similar sum?

MR. CLARK: Yes.

MR. KERR: Management of that corporation prior to that acquisition was headed by Mr. Farber; is that right? He was president at the time of the acquisition?

MR. CLARK: I believe so, yes.

MR. KERR: And he continued in that role?

MR. CLARK: Yes.

MR. KERR: All right. And the business of the company at that time was what it is today -- military spare parts?

MR. CLARK: Yes.

MR. MONSKY: At the time you purchased your interest, did you loan any money to the company?

MR. CLARK: No.

MR. KERR: Let me take you to late 1985, early 1986. Did there come a time in that period when Forway began to make use of Touche Ross at its accounting firm?

MR. CLARK: Is that question directed to me?

MR. KERR: Yes, sir.

MR. CLARK: If you can recall. If not, I'll direct it to Mr. Zink.

MR. ZINK: Yes. Forway began to use Touche Ross as their accountants I believe in mid-1983 for the year ended, I think, June of '83, which coincided with the time that Mr. Zucker and Mr. Clark acquired their interest.

MR. KERR: And that relationship continued through early 1986?

MR. ZINK: Through today.

MR. KERR: They continued to be the accountants?

MR. ZINK: Correct.

MR. KERR: Turning to January of 1986, to your knowledge, Mr. Zink, was Touche Ross engaged in something other than simply for the year-end financial statements?

MR. ZINK: Yes.

MR. KERR: And what was that?

MR. ZINK: In late January of '86, Touche Ross was retained to do what we would call [illegible]ions review of Forway Industries.

MR. KERR: Now, the partner in charge of that project was John Flynn?

MR. ZINK: Yes, sir.

MR. KERR: You were an employee of Touche Ross at that time?

MR. ZINK: Yes.

MR. KERR: And what position did you hold at Touche Ross.

MR. ZINK: Senior management consultant.

MR. KERR: Now, to your knowledge, were there meetings that took place in January of 1986 between Touche Ross personnel and Mr. Zucker?

MR. ZINK: Yes.

MR. KERR: Can you tell me how many such meetings and what you know about them?

MR. ZINK: I was not part of the meeting in late January where the Forway problems were presented to Touche Ross -- Touche Ross representation at that meeting, to the best of my knowledge, being Messrs. Flynn and McConnell.

MR. MONSKY: What was the first name of Mr. McConnell?

MR. ZINK: John McConnell.

MR. MONSKY: I take it they told you about this meeting.

MR. ZINK: Yes. I received a phone call over the weekend regarding a project and where to be on Monday morning.

MR. MONSKY: And where was that?

MR. ZINK: That was Forway Industries, and our charge being to conduct an operations review and report back to Mr. Zucker and Clark -- I think it was about a week time frame -- what our overall review of the company revealed.

MR. KERR: Now, Mr. Clark, did you participate in any meetings in late January with Touche Ross personnel?

MR. CLARK: I don't believe so, but I'm not sure.

MR. KERR: All right. With regard to Mr. Zucker's activities at the time of these meetings, other people he was seeing, other businesses he was engaged in, can either of you shed any light of Mr. Zucker's activities in late January when he had the meeting with the Touche Ross personnel?

MR. ZINK: I can't, no.

MR. CLARK: I cannot either.

MR. KERR: With regard to events in February, you indicated that some time during the first week or so of February you would have met with Mr. Zucker; is that right, Mr. Zink?

MR. ZINK: That's correct.

MR. KERR: That meeting would have taken place where?

MR. ZINK: At the Touche Ross offices in Philadelphia.

MR. KERR: Mr. Clark, did you participate in that meeting?

MR. CLARK: I believe so.

MR. KERR: Now, to the best of your joint recollections, was that a meeting that took one day? Was there a series of days of meetings or what? Do you recall Mr. Zink?

MR. ZINK: A few hours in the morning.

MR. KERR: At that time you gave what? Your preliminary evaluation?

MR. ZINK: Preliminary review of life at Forway, the status of the company.

MR. KERR: Again, in terms of what Mr. Zucker's other activities may have been on the 7th of February of 1986, do either of you have any recollection or knowledge of other activities he would have engaged in?

MR. CLARK: I do not.

MR. KERR: Mr. Zink?

MR. ZINK: No, I don't.

MR. KERR: No knowledge of other people he might have met at that time?

MR. ZINK: No.

MR. MONSKY: By this time in February, had you prepared a business plan for Forway?

MR. ZINK: The result of the February 3rd -- that ballpark date -- meeting, the next step for Touche Ross was to prepare a business plan based on their findings to be presented to First Pennsylvania Bank, and then hopefully to be implemented in the coming months. So, yes, a business plan was prepared, and I believe it was dated February 7th. The night before that, it was presented to Mr. Zucker in the evening.

MR. KERR: As of that time, February 7th, when you all were putting the business plan together for presentation to the bank; had either of you had any discussions with Mr. Zucker about him looking to funds under his control that were equitably owned by either Albert Hakim or General Secord?

MR. ZINK: No.

MR. CLARK: No.

MR. MONSKY: At this point, Mr. Flynn was still running the project? Was he one of the people?

MR. ZINK: The consulting project, yes.

MR. MONSKY: Had Mr. Zucker at this time used an office at Touche Ross, or can you recollect?

MR. ZINK: Other than for our meetings, I saw him use or heard of no other use of -- his using Touche's facilities.

MR. MONSKY: And those meetings were where?

MR. ZINK: On the 25th floor where Touche Ross is located.

MR. MONSKY: In a conference room?

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MR. ZINK: Yes.

MR. MONSKY: Okay.

MR. KERR: Now, we have a record that Mr. Zucker visited the Republic National Bank on February 7, 1986. Do you all have any knowledge of what business he was transacting there that day?

MR. ZINK: No, I don't.

MR. CLARK: No, I do not.

MR. KERR: Let me move you to early March 1986. Were there meetings during the first week of March 1986 that either of you attended?

MR. ZINK: Yes.

MR. KERR: Mr. Zink, could you outline that?

MR. ZINK: There was a meeting, I believe, March 6th in the morning, once again at the Touche Ross offices.

MR. KERR: Can you describe who was there and what happened?

MR. ZINK: The attendees were myself, Messrs. Flynn and McConnell and Zucker and Clark. The purpose of the meeting was to update Messrs. Zucker and Clark on our progress relative to implementing the business plan and an operational update.

One of the recommendations in the business plan was to bring in new management to Forway, specifically a new president, and create a [illegible] due to the lack of

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financial expertise at Forway.

MR. KERR: Do you have any recollection of when on that morning this meeting ended?

MR. ZINK: I would say it was another couple hours in the morning.

MR. KERR: Would it have ended before two o'clock?

MR. ZINK: I do not know.

MR. KERR: In terms of the folks that attended the meeting and where they went after it was over, let's start with you. Do you recall what you did after this meeting broke up?

MR. ZINK: Yes. I went to Florida.

MR. KERR: What knowledge do you have of the immediate destinations of the other members of the group that were at that meeting?

MR. ZINK: I don't know where any of them went. I do know that at some point in these January-February-March meetings Mr. McConnell, Mr. Flynn and, at a minimum, Mr. Zucker went to lunch. But I don't know whether this was the day they went to lunch or it was after possibly the February meeting.

As I said, I left and so I really don't know.

MR. KERR: Mr. Clark, in terms of your activities, do you recall where it was that you went to after this meeting was over?

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MR. CLARK: I do not recall. I do recall, now that Mr. Zink has mentioned it, that we did have one lunch with Mr. Flynn. I do not recall -- I think it was at the Racquet Club in Philadelphia, and I do not recall when that took place. But I remember one lunch. I do not remember where I went after that meeting; however, I would assume I went back to New York because when meetings were finished, that's where I think I always went.

MR. MONSKY: Was Mr. Zucker present at that meeting, the lunch, that you recall at the Racquet Club?

MR. CLARK: Yes.

MR. KERR: Let me see what recollection, if any, you have of one other possible event. Do either of you recall on the 6th of March Mr. Zucker indicated that he was going to be meeting with a woman from Washington, D.C., or meeting with any other client that day?

MR. ZINK: No, I don't.

MR. CLARK: I do not either.

MR. KERR: And do you recall at the lunch at the Racquet Club whether or not you all were introduced to someone who was not part of your group, preferably a woman from Washington, D.C.?

MR. ZINK: I wasn't at the lunch.

MR. CLARK: I have a vague recollection that one or two officials of [illegible] were there. The

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lunch was hosted by John Flynn.

MR. MONSKY: On March 6th, do you have any recollection of Zucker stepping out of the meeting and using an office near John Flynn's office?

MR. ZINK: No, I don't.

MR. KERR: Now, do you recall any other meetings that took place with Mr. Zucker in early March 1986?

MR. ZINK: Yes. There was an additional meeting on March 9th, if that's the Sunday following the meeting I just mentioned.

MR. KERR: And what happened at that meeting?

MR. ZINK: Ron Wade had come into town from Milwaukee to talk to Mr. Zucker and Mr. Clark, Mr. Wade eventually becoming president of Forway. The principal objective of that meeting was to interview an individual for the financial position, and that interview did take place on that Sunday morning.

MR. KERR: Did there come a time that day when there was a conversation with you, Mr. Zink, about the potential for you to become an employee of Forway?

MR. ZINK: Yes. After the main objective of the meeting had been concluded, I remember riding in an elevator with Mr. Zucker where he introduced the idea of me becoming the VP-Finance at Forway.

MR. KERR: With regard to that meeting, Mr. Zucker was present at that meeting on March 9 or thereabouts?

MR. ZINK: Yes, he was.

MR. KERR: Mr. Clark, you were present?

MR. CLARK: Yes.

MR. KERR: Do either of you have any recall of other people Mr. Zucker intended to meet with or the business that he was doing that day, March 9?

MR. CLARK: I do not.

MR. ZINK: I don't either.

MR. MONSKY: At this time was Mr. Zucker interviewing people?

MR. ZINK: Mr. Zucker was part of the interviewing group that was interviewing the potential CFO candidate.

MR. MONSKY: When the interviews were conducted, were they done from an office or a conference room?

MR. ZINK: The initial meeting started in the conference room near John Flynn and Ken Hagstrom's office. There was a discussion -- somehow that meeting split up, and we ended up, some of us ended up in the main conference room at Touche Ross near the lobby. But I don't recall. I have a faint recollection of Farber coming in, and maybe Zucker and Farber having a discussion in that conference room. But I don't have a clear picture of why we split up.

MR. CLARK: May I also say that there was one person interviewed; it was not a series of people.

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MR. KERR: And that was Mr. Wade?

MR. ZINK: No, no. Mr. Casey was the fellow interviewed. Mr. Wade was one of the attendees along with Flynn and McConnell.

MR. KERR: Thank you.

MR. MONSKY: This is all on March 9th?

MR. ZINK: Correct.

MR. MONSKY: Let me ask you one other question about offices. I take it it would not be unusual that if Zucker asked to use an empty office that there would be one available in the Touche Ross floor? The 24th floor was the only floor of Touche Ross, correct?

MR. ZINK: No. There are other offices on the 25th.

MR. MONSKY: The 25th and the 24th.

MR. ZINK: Yes.

MR. MONSKY: But if Mr. Zucker wanted to use an empty office, would he be able to do so?

MR. ZINK: Conceptually, yes.

MR. KERR: Do you have any knowledge of whether or not he made use of a Touche Ross office that day?

MR. ZINK: No, I don't.

MR. KERR: With regard to events that we have knowledge of on March 11, 1986, Mr. Zucker apparently visited Republic National Bank in New York again. Do you all have any knowledge of why [illegible] that day?

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MR. ZINK: No, I don't.

MR. CLARK: I do not either.

MR. KERR: Mr. Zink, you became employed at Forway shortly thereafter, April 1; is that right?

MR. ZINK: That's correct.

MR. KERR: All right. Now, from that point, April 1 looking forward, can you give me some notion of the extent to which you were in contact with Mr. Zucker? Is he somebody you talked to every day, every week, once in a blue moon? How often?

MR. ZINK: That was a period of great turmoil at Forway, and there was a lot of internal upheaval relating to Wade and Zink versus Farber relative to the operation of the company. It was my understanding that Farber was calling Zucker saying that Wade and Zink are doing crazy things, and then I would either get a call from Mr. Zucker or I would, in anticipation of what I thought was going on, call Mr. Zucker to keep the record straight.

So our conversations between April and June, I don't recollect the frequency of them, but the subject matter was purely -- heavily related to the problems at Forway.

MR. KERR: When in the course of your employment did Messrs. Hakim and Secord first come to your attention?

MR. ZINK: Mr. Hakim's name first came to my attention in late August of 1986.

MR. KERR: And to help me decipher the context, what was the context of his name coming up?

MR. ZINK: There was a potential product that Mr. Hakim was going to introduce to Forway to potentially mass produce a weapon that has become known as the Laser Gunsight Project.

MR. KERR: And Mr. Hakim's name was introduced to you by Mr. Zucker?

MR. ZINK: Yes.

MR. KERR: What did Mr. Zucker tell you about Mr. Hakim at that time?

MR. ZINK: Would you say that again, sir?

MR. KERR: Yes. What did Zucker tell you about Hakim when he raised Mr. Hakim's name to you?

MR. ZINK: I believe he introduced him as a business acquaintance and friend.

MR. KERR: Did he describe to you at that time the nature of his business relationships with Mr. Hakim?

MR. ZINK: Not in any detail, no.

MR. KERR: Did he tell you in general terms what the relationship was?

MR. ZINK: Only to the extent that I was being asked to transfer funds to Stanford Technology, which was my understanding, given the type of product that Mr. Hakim was going to introduce, that he was in the arms type business.

But Mr. Zucker told me nothing about Mr. Hakim.

MR. MONSKY: Did he tell you who Mr. Hakim's business associates were?

MR. ZINK: No.

MR. KERR: Now, the incident that you're referring to would be the $50,000 transfer that takes place on or about August 25, 1986?

MR. ZINK: That's correct.

MR. KERR: And it was only in that context that you first learned of Hakim; is that right?

MR. ZINK: Yes.

MR. KERR: Was General Secord's name mentioned to you in that context?

MR. ZINK: No, it was not.

MR. KERR: With regard to the Stanford entity, do you recall which Stanford entity it was?

MR. ZINK: It was Stanford Technology.

MR. KERR: STTGI?

MR. ZINK: No. It was the California company.

MR. KERR: STTGI is not the right one. It was Stanford Technology that you were dealing with?

MR. ZINK: That's correct. That's the corporation on whose behalf the account was that I wired the money.

MR. KERR: I'll come back to that in context in a moment. Let me get one other gentleman up before us.

General Secord -- when did his name first come to your attention?

MR. CLARK: Are you referring to me?

MR. KERR: Let me deal with Mr. Zink first.

MR. ZINK: General Secord's name first came up around the time that it appeared that Farber was going to be bought out.

MR. KERR: And you placed that when?

MR. ZINK: Late September '86.

MR. KERR: Now, Mr. Clark, you heard of General Secord an earlier time. Isn't that right?

MR. CLARK: That is correct.

MR. KERR: Can you describe for me the circumstances under which you heard of General Secord?

MR. CLARK: I do not recall the exact circumstances under which Secord's name first came up or exactly at what date it came up. However, in reviewing my files, I found a memorandum from Zucker to Farber with a copy to me, which you have a copy of. And that memo prompted my memory to the point that apparently Zucker and I picked up Secord at an airport around -- on June 18, 1984. That airport, I believe, was the Philadelphia Airport, and we brought him to Forway for what I recall to be the purpose of acquainting himself with the Forway operation.

MR. KERR: You provided us with a copy of a letter

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dated June 18, 1984, from yourself to Mr. Farber, which has attached to it a two-page memorandum. Correct?

MR. CLARK: Yes. I attached that this morning.

MR. KERR: All right. You would place the memorandum roughly in time with the June 18, 1984, letter; is that right?

MR. CLARK: Correct.

MR. KERR: Let me have this marked as Exhibit 1 to the deposition.

[The document referred to was marked for identification as Clark/Zink Exhibit No. 1]

MR. KERR: Using Exhibit 1 as a way of trying to focus your recollection, the first paragraph of the memorandum suggests that you may have met Mr. Hakim some time in this period of time, June 1984. Do you recall meeting Hakim at that time?

MR. CLARK: No, I did not meet Hakim at that time.

MR. KERR: Okay. So the reference to the "you have met Albert" in the memorandum is Farber --

MR. CLARK: Excuse me. This memo is to Farber.

MR. KERR: That's what I'm asking you.

MR. CLARK: Yes.

MR. KERR: You did not have occasion to meet Hakim yourself?

MR. CLARK: Correct.

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MR. KERR: Do you recall having any discussions with Dr. Farber about his impressions of Mr. Hakim?

MR. CLARK: No.

MR. KERR: Can you give us any further recollection of what it was that Farber and Hakim and Zucker were getting together on in June of 1984?

MR. CLARK: I'm not sure they were getting together on anything. My recollection is that Secord was coming down to look at the Forway operation to see it and to find out whether he and Forway could work out a mutually advantageous business relationship. I was not a party to those conversations.

MR. KERR: Why was this memo sent to you, if you know?

MR. CLARK: I do not know.

MR. MONSKY: In general terms, was your understanding that Secord was contemplating making an investment in Forway?

MR. CLARK: No. No thought of outside investors had ever arisen at this time in 1984.

MR. KERR: With regard to what's related here, advice by General Secord that a decision had been made about the U.S. government to initiate a program for the manufacture of spare parts for certain foreign military equipment, and a suggestion that there was a resistance activity in an unnamed

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country that might consume such equipment, do you have any further or better recollection of what it was that the General had in mind when he gave this advice to Dr. Farber?

MR. CLARK: I have no knowledge of anything in this memo except for the fact that I was in the car that picked up Secord and delivered him to Forway.

MR. KERR: Okay. Let me be very precise so that we understand each other. Did you have any knowledge in 1984 -- be it May, June, July, any time in 1984 -- of General Secord's activities with regard to supplying munitions, lethal equipment and the like to resistance forces in Nicaragua?

MR. CLARK: No, I did not.

MR. KERR: Do you know of any relationship today between General Secord's approach to Forway in 1984 and supply by him or entities controlled by him to resistance fighters in Nicaragua?

MR. CLARK: I do not.

MR. ZINK: Mr. Zink, do you have any knowledge of these matters?

(Witness indicates.)

THE REPORTER: "No" was your answer, sir?

MR. ZINK: Correct.

MR. KERR: There's also a curious last paragraph. Let me just ask you about it. He says that, "A last point to

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be resolved is to design a method of compensation for Secord and his present employer which would be consistent with existing laws and regulations applicable in the United States with respect to the procurement of this type of equipment." And then he invites himself into any such deliberations by saying, "I would very much be interested to be a party to the deliberations for I have years of experience in dealing with Albert Hakim, who is involved in STTGI."

Do either of you have any notion of what it was that Mr. Zucker was referring to in that paragraph?

MR. CLARK: I do not, other than what is here.

MR. MONSKY: There's an earlier reference to the effect that Mr. Secord is now "associated for better or for worse with Albert Hakim." Do you have any understanding of what the "for better or for worse" referred to?

MR. CLARK: I don't have an understanding. I can only speculate that Mr. Hakim -- he says in here that he believes -- based upon my own assessment of Mr. Hakim, I would conclude that he is a sales oriented person who you cannot take at face value everything he says. And I would assume the "for better or for worse," I assume that that's what that refers to.

MR. KERR: Let me ask you to step back for a moment and describe for us your perception of Zucker's relationship to Hakim. Perhaps I am wrong. Did you describe them as

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friends as well as business associates?

MR. ZINK: I did.

MR. KERR: Mr. Clark, what was your perception of the relationship between Zucker and Hakim?

MR. CLARK: I did not have a perception of the relationship in 1984.

MR. KERR: As of today.

MR. CLARK: As of today, I assume that my perception is that Hakim was a client of Mr. Zucker's.

MR. KERR: So you perceived their relationship to be essentially that of business relationship, of investment manager and client; is that correct?

MR. CLARK: I don't know what -- I mean, I assumed that it was attorney and client.

MR. KERR: In terms of the way you all dealt with Zucker -- so I can get a sense of that -- Zucker can wear any number of hats, but was it your impression when you were dealing with him that he was acting as attorney for CSF or in some other capacity?

MR. CLARK: My understanding was that he was acting as the chief executive of CSF.

MR. MONSKY: You dealt with him primarily on investments?

MR. CLARK: I dealt with him on investments and on this.

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MR. MONSKY: He was not your personal lawyer?

MR. CLARK: No.

MR. KERR: Let's go back. Let me take you to early June 1986. There came a time in early June when Mr. Zucker was again in the Woodbury, New Jersey, area; is that right?

MR. ZINK: Yes.

MR. KERR: Can you describe what happened then, Mr. Zink? Zucker was staying in Philadelphia at the Hershey Hotel at that time?

MR. ZINK: Yes. My recollection is that on June the 3rd Mr. Zucker arrived in Philadelphia, I believe at the Philadelphia Airport, where he was picked up by Mr. Wade. They met Mr. Clark and I at the Hershey Hotel where we then went out to dinner the night of the 3rd, had all-day business meetings on the 4th at Forway that Mr. Cohen and Mr. Farber, in addition to Wade, myself, Clark and Zucker, attended. And a final meeting was held the morning of the 5th where a board resolution further defining roles and responsibilities at Forway was held.

MR. KERR: Did there come a time on the 5th when, to your knowledge, a meeting took place with the company's bankers?

MR. ZINK: Yes. It's my understanding that the driver of one of our vehicles took Mr. Clark and Mr. Zucker to Philadelphia. It's my guess that Mr. Clark was dropped

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off at the train station, Mr. Zucker at First Pennsylvania Bank, where it's my understanding also that he had lunch with Robert DeVult, Forway's loan officer, and Mr. DeVult's boss, a fellow by the name of Alan Armstrong.

MR. KERR: Mr. Clark, did you or did you not attend the luncheon meeting with DeVult and Armstrong?

MR. CLARK: I don't believe I was there.

MR. KERR: Insofar as either of you know about that meeting, can you describe what you've been told occurred at that meeting? Mr. Zink?

MR. ZINK: The purpose of the meeting was to reassure First Pennsylvania Bank that Mr. Zucker and Mr. Clark were committed to the survival of Forway, and Mr. Zucker being up to that point the lead individual in putting any money that was required into the company and making the effort to hire consultants and remove Farber from the president position. The whole purpose of the meeting was really for Zucker to meet DeVult's boss, which was another layer of First Pennsylvania Bank that Forway up to that point had never penetrated.

MR. MONSKY: Did Zucker have signatory power on any of Forway's accounts at the bank?

MR. ZINK: No.

MR. KERR: Do you have any knowledge of any representations that were made to the bank's officers at that

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luncheon regarding Secord or Hakim?

MR. ZINK: No.

MR. KERR: When, to your knowledge, were Secord or Hakim first brought to the attention of the bank?

MR. ZINK: Late September.

MR. KERR: Mr. Clark, do you have any further different recollection of what would have occurred at this meeting with the officers of the bank on or about June 5th?

MR. CLARK: No. I wasn't there.

MR. KERR: Okay. And you weren't told anything more by Mr. Zucker about what happened?

MR. CLARK: No.

MR. KERR: We also have a note that Mr. Zucker paid yet another visit to Republic National Bank on June 6, 1986. Do either of you know anything about that visit by him to the bank?

MR. CLARK: I do not.

MR. ZINK: Nor do I.

MR. KERR: Okay. Let me move you to August of 1986. We touched briefly on the events of August 25, 1986. Mr. Zink, let me ask you to take us through the transaction whereby $50,000 came in from CSF and was distributed out by Forway on August 25, 1986.

MR. ZINK: I was told by Mr. Zucker that the Laser Gunsight Project that I referred to earlier, in connection

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with that project he had agreed with Mr. Hakim on behalf of Forway to send $50,000 to Stanford Technology as a -- I call it a finder's fee. Ron Wade and I have talked about it. He calls it seed money for the project.

My role was to give instructions on the incoming wire and then transfer the money to Stanford Technology, which I did at Albert Hakim's instruction.

MR. KERR: As of that time, August 25, 1986, Forway did not have the financial resources to make such a payment itself; is that right?

MR. ZINK: That's correct.

MR. KERR: The incoming funds came from what source, if you know? Came from CSF, I take it.

MR. ZINK: Yes.

MR. KERR: By way of what banking channel, if you know?

MR. ZINK: Off the top of my head, I don't know.

MR. KERR: And the money was wired out to Stanford Technology Corporation?

MR. ZINK: I believe so.

MR. KERR: Do you know to what bank?

MR. ZINK: Bank of America, Pruneyard branch.

MR. KERR: That's in California?

MR. ZINK: Yes.

MR. KERR: In terms of how this money which came

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into Forway is carried on its books, how do you all carry this sum at this time?

MR. ZINK: It is not on our books.

MR. KERR: What are the corporation's intentions in terms of how it will treat this infusion of $50,000 and the distribution of the $50,000?

MR. ZINK: Be accounted for properly.

MR. KERR: Okay. Do you have any idea what that means at this point?

MR. ZINK: I'll consult my accounting manager.

MR. KERR: The laser sight transaction was not consummated; am I correct?

MR. ZINK: That's correct.

MR. KERR: And, indeed, there had been no agreement to go ahead with the laser sight as of August 25, 1986; isn't that right?

MR. ZINK: That's correct.

MR. KERR: Do you have any idea what you were paying a finder's fee for at that point?

MR. ZINK: No.

MR. KERR: Okay.

MR. ZINK: I might add other than -- my inference was the, shall we call it, up-front costs required to potentially bring this product to fruition. But that's speculation and inference.

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MR. KERR: Now, let me narrow it down. I really need to know what you were told by Zucker. Did Zucker give you any of that kind of detail, or is this all surmise on your part?

MR. ZINK: I don't recall the exact words around it. I wish I did.

MR. MONSKY: Did Mr. Zucker ever ask for anything in exchange for the $50,000 seed money, or whatever, which--

MR. ZINK: No, he did not.

MR. KERR: Has Mr. Hakim or anyone on behalf of Stanford Technology ever represented to you or, to your knowledge, anyone else at Forway what Stanford Technology perceived this $50,000 to be?

MR. ZINK: No.

MR. KERR: We have another entry that on August 27, 1986, Mr. Zucker again visited Republic National Bank. Any knowledge of why that occurred?

MR. ZINK: No.

MR. KERR: Any knowledge of any other business that he was transacting in the States on August 27, 1986?

MR. ZINK: Not to my knowledge.

MR. KERR: Mr. Clark, do you have any knowledge of the $50,000 transfer?

MR. CLARK: I do not.

MR. KERR: And do you have any knowledge of other

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business that Zucker might have been engaged in in the August 25 through August 27 period?

MR. CLARK: No, I do not.

MR. KERR: Now, there were meetings that took place in the third week or so of September 1986 which involved Mr. Hakim, amongst others; is that correct?

MR. ZINK: Yes.

MR. KERR: In terms of how those meetings got set up, what were you told? What were you told about why Mr. Hakim was going to come by and visit with you all at Forway the third week of September?

MR. ZINK: Is that to me?

MR. KERR: Yes.

MR. ZINK: There were two principal objectives of Mr. Hakim's visit: one being the introduction of an individual with the laser gunsight, a fellow by the name of Robert Fritchie; the second, call it a sub-objective, was that Mr. Hakim was mentioned by Mr. Zucker as someone who potentially could be in a position to acquire the equity interest of Farber.

MR. KERR: All right. You would have had this conversation with Zucker approximately when, vis-a-vis September 21 when they actually show up on your doorstep?

MR. ZINK: I would assume during September. There was a conversation I had at home, and it may have been the

Friday preceding the Sunday arrival. It was an early morning call.

MR. KERR: Early morning because the call was coming from Europe or what?

MR. ZINK: I don't know. I don't remember where the call was coming from, but I do know I got a call at seven o'clock in the morning.

One of the things that I remember standing out during that, conversation was a conversation between Mr. Zucker and I about Mr. Hakim. I remember asking Mr. Zucker a question, can he do it? Does he have the ability to do it?

MR. KERR: "Do it," meaning what?

MR. ZINK: Purchase the equity, have access to those funds. To that point, I didn't know what Albert Hakim -- anything about Mr Hakim.

MR. KFRR: And what did Mr. Zucker tell you?

MR. ZINK: In effect, he said yes, he has the means available to him if he so desires.

MR. KERR: Was anything said in that conversation or any other preliminary conversation about General Secord and his relationship to Hakim?

MR. ZINK: I don't believe so.

MR. KERR: When did it come to your attention that Hakim had a partner, if you will, named Secord?

MR. ZINK: I believe it was some time during the

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September meetings. It somehow worked its way into the combo framework rather than an individual.

MR. KERR: Mr. Clark, were you aware prior to September 21 that Mr. Hakim was going to be visiting at Forway?

MR. CLARK: Yes.

MR. KERR: Okay. And how did that come to your attention?

MR. CLARK: Mr. Zucker said he was going to drive up from Washington with Mr. Hakim, and during that period of time he wanted to talk to him about buying into Forway.

MR. KERR: All right. You intended to be present at Forway when these meetings took place, I take it; is that correct?

MR. CLARK: Yes.

MR. KERR: So that I'm perfectly clear, would this have been the first occasion that you had to meet Hakim, or had you met --

MR. CLARK: The first and only occasion that I met Hakim.

MR. KERR: And you knew that Hakim was coming up as a potential investor; is that correct?

MR. CLARK: Yes.

MR. KERR: Did you also know he was coming up to try to sell a laser sight?

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MR. CLARK: I don't remember, but it's possible.

MR. KERR: All right. Were you aware --

MR. CLARK: In fact, I think it's probable I did know.

MR. KERR: We've seen a reference to the partnership relationship in 1984 between Secord and Hakim. Were you aware, were you conscious in September of 1986 that Hakim was part of a matched set including General Secord? Did you see Secord as a potential investor at that point?

MR. CLARK: I asked Zucker at one point if Hakim comes in does that mean Secord comes with him, and he said yes, or words to that effect.

MR. KERR: Can you place that conversation?

MR. CLARK: No. I believe it was previous to the actual meeting, but...in the period just before it.

MR. KERR: Mr. Zink, when you said that phone call at seven in the morning you asked Mr. Zucker, does Hakim have the money, Zucker's response was -- I want to make sure I got this right -- that he has access to it.

MR. ZINK: My best recollection of the words were the means available to him to get it. That's my best recollection.

MR. MONSKY: So you were left with an impression that Hakim would have sources that he would turn to?

MR. ZINK: Yes.

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MR. MONSKY: Okay.

MR. CLARK: May I respond to that question, too?

MR. KERR: Sure.

MR. CLARK: I asked the same question of Zucker, and the answer was yes. And he said to me that he managed -- words to the effect that he managed and had authority over certain of the funds belonging to Hakim, what I assumed belonged to Hakim.

MR. KERR: Zucker managed?

MR. CLARK: Yes, Zucker. And he mentioned there was a conflict of interest, and so my impression from all this was that Hakim himself had the funds to come up with.

MR. KERR: You thought that Hakim had funds in his own right without relying on other people; is that correct?

MR. CLARK: The man who came up to Forway was Hakim.

MR. KERR: Right.

MR. CLARK: My impression was that Zucker had the authority to act for Hakim, but in practice Hakim was going to make the decision.

MR. KERR: I'm with you. Okay.

MR. CLARK: Now, he may have been making it on behalf of Secord, I don't know. But my impression was it was Hakim's decision as a practical matter.

MR. KERR: All right.

MR. MONSKY: Do you remember Hakim saying anything to the effect that he would have to consult Secord?

MR. CLARK: No, I do not.

MR. MONSKY: Mr. Zink?

MR. CLARK: Excuse me. Afterwards.

MR. KERR: Place that in time. After September 21?

MR. CLARK: After that meeting, there was a further discussion of terms under which they would become equity investors, and Zucker told me that Hakim told him that he had to somewhat improve the terms to be able to demonstrate to Secord that he had improved the deal that was offered to him.

MR. KERR: So at some point in late September, early October 1986, you became aware that Secord had a potential equity interest in this deal; is that right?

MR. CLARK: Along with Hakim, yes.

MR. KERR: Let's go through the chronology of what actually happened. On September 21, Mr. Hakim and Mr. Zucker arrive in New Jersey, right?

MR. ZINK: Correct.

MR. KERR: And Hakim and Zucker take up residence for the evening at the Gloucester Inn?

MR. ZINK: Correct.

MR. KERR: And you were there as well?

MR. CLARK: Yes, I was.

MR. KERR: Who was accompanying Hakim?

MR. CLARK: An Oriental. People who accompanied

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Hakim when he arrived were Zucker and an Oriental lady, who I believe was Korean but I'm not sure.

MR. KERR: And the relationship between Mr. Hakim and the Oriental lady you don't know; is that correct?

MR. CLARK: I assume it was a girlfriend, wife or...

MR. KERR: Very friendly secretary or whatever.

MR. CLARK: Yes, sir.

MR. KERR: Okay.

MR. CLARK: No, I don't think she was a secretary. I think it was a lady who was...

MR. ZINK: My understanding was it was his wife.

MR. KERR: His wife. Okay. That's helpful.

MR. ZINK: Judging by the rock on her finger.

MR. KERR: Okay. Do you have any idea why she was not registered at the hotel that day?

MR. ZINK: She was with him.

MR. KERR: I know. Usually one registers as Mr. and Mrs. The registration only shows Mr. Hakim. Do you have any idea why she was not registered?

MR. ZINK: No.

MR. KERR: In terms of what happened, did they arrive late on the 21st?

MR. ZINK: Late evening.

MR. KERR: Late evening.

MR. ZINK: Yes. I'd put it at seven o'clock, eight

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o'clock.

MR. CLARK: Yes.

MR. KERR: And you all went to dinner together that evening?

MR. ZINK: Yes.

MR. CLARK: Yes.

MR. KERR: Was there any discussion at that dinner, not focusing now on Forway, but on other business activities that either Zucker or Hakim were engaged in at that time? Anything by way of social chit-chat, anything of that kind that you can recall?

MR. ZINK: Not to my recollection.

MR. CLARK: No.

MR. KERR: No recollection of any discussion by Zucker or Hakim of another client that Zucker intended to meet with during the forthcoming week?

MR. ZINK: No.

MR. CLARK: No.

MR. KERR: The next day you had meetings at Forway?

MR. ZINK: Correct.

MR. KERR: And can you give me the gist of what those meetings were about?

MR. ZINK: As I remember it, we had a morning meeting with some fragmentation. I think Mr. Clark can help fill in the pieces, but there was a meeting between Farber and Zucker, Wade, Clark and myself. There were a series of meetings that I participated in that were focused solely on Forway. I did not participate in any of the meetings, any of the other meetings that were going on.

MR. CLARK: You weren't in the later meeting?

MR. ZINK: That's in the morning. In late morning, early afternoon, we broke for lunch. Well, we didn't break for lunch. We went to Philadelphia to meet with Bob DeVult and his boss.

MR. KERR: The bankers?

MR. ZINK: Correct.

MR. KERR: Okay. Before I get to the bankers, let me interject something. It came to your attention at some point -- either on the 21st or the 22nd -- that Mr. Zucker was hopeful of receiving $25,000 in cash by way of First Pennsylvania Bank; is that correct?

MR. ZINK: Yes.

MR. KERR: Describe for me how that came to your attention.

MR. ZINK: My recollection is that prior to the leaving Forway --

MR. KERR: On the 22nd?

MR. ZINK: On Monday, the 22nd, Mr. Zucker asked me to contact Mr. DeVult and inform/ask him that $25,000 had been -- he had arranged for $25,000 to be wired into Forway's account at First Pennsylvania, and if $25,000 in cash could be available to him prior to us terminating our meetings at the bank.

MR. KERR: Mr. DeVult's response to that was what? Did he say he could do it or he couldn't do it or what?

MR. ZINK: He indicated he would have to check it out. He said something like it's not a routine type request.

MR. KERR: Were you given any instructions on what you were to ask in terms of the denominations of the bills for $25,000 to be produced in?

MR. ZINK: No.

MR. KERR: You were not. Did Mr. Zucker indicate to you what business or other purpose he had in mind for $25,000?

MR. ZINK: No.

MR. MONSKY: Did Mr. Zucker ever request at any other time for cash to be produced out of the Forway's account?

MR. ZINK: No.

MR. MONSKY: When did Mr. Zucker learn that the cash would be unavailable?

MR. ZINK: Early to mid-afternoon. Early to mid-afternoon on that Monday, the 22nd.

MR. MONSKY: Okay. And what was his reaction?

MR. ZINK: He was not pleased.

MR. KERR: How was that evidenced?

MR. ZINK: At least one remark regarding the professionalism of First Pennsylvania Bank.

MR. MONSKY: Would you say he lost his cool a little bit?

MR. ZINK: No.

MR. KERR: Let me pursue it a tad further. Did he give you any indication at that point of any business or other problems that would result to him because he couldn't get his hands on $25,000 cash?

MR. ZINK: No. There was no discussion...ask me the question again. I'm sorry.

MR. KERR: Yes. He's reacting negatively at not being able to get $25,000. Did he indicate in any fashion that this was causing him difficulty with a business or some other kind of transaction?

MR. ZINK: I recollect him saying, "I need the money. Is there any other alternative?"

MR. KERR: Did you suggest any other alternative to him?

MR. ZINK: I did not have any.

MR. KERR: Do you have any knowledge of any other business entities or sources of funds that he could have gone to at that time to come up with $25,000? Do you yourself have any such knowledge?

MR. ZINK: No.

MR. KERR: Mr. Clark, do you have any knowledge of any other efforts made by Mr. Zucker to lay his hands on $25,000 cash on the 22nd or thereabouts of September.

MR. CLARK: I do not.

MR. KERR: Did he make any request of you for assistance in raising that cash?

MR. CLARK: No, he did not.

MR. KERR: Did he indicate to you why he needed $25,000 cash?

MR. CLARK: No, he did not.

MR. KERR: He didn't mention the $25,000 cash in connection with the meeting he was planning to have at approximately 11:30 to 12 on Saturday, the 27th of September?

MR. CLARK: No.

MR. KERR: In terms of where Zucker got the bad news that he wasn't going to get $25,000 cash, were you present when that news was visited upon him?

MR. CLARK: My recollection is that there was a check for $25,000 that he wanted to cash and that there was a problem with it, and that is the extent of my recollection.

MR. KERR: Any further recall of anything he said, any reaction he had to that problem?

MR. CLARK: No.

MR. KERR: Did he discuss it with either of the officers of the bank?

MR. ZINK: Yes.

MR. KERR: Who?

MR. ZINK: With Mr. DeVult.

MR. KERR: Let me go to the bank meeting. In terms of what happened at the meeting with the bank, I assume something other than the $25,000 check was discussed, right?

MR. ZINK: Yes.

MR. KERR: What was discussed at that meeting?

MR. ZINK: One of the other purposes of the visit was to try and convince First Pennsylvania Bank to extend a working capital loan. That was the purpose of the meeting.

MR. KERR: In that context or otherwise, was the discussion with the bank officers about the potential for buying out Mr. Farber as of September 22?

MR. ZINK: Not in the meeting that I participated in.

MR. KERR: Do you have knowledge of that being discussed in some other fashion that day with the bank's officers?

MR. ZINK: If it took place, Mr. Clark would be the only --

MR. KERR: Mr. Clark?

MR. CLARK: I do not recall that conversation.

MR. KERR: Do you recall any discussion in any context with the bank's officers about the investment potential of Secord or Hakim as of that time?

MR. MONSKY: Of the general.

MR. CLARK: I never had a conversation; I was never present where a conversation took place about that.

MR. KERR: Did it ever come to your attention that such a discussion was had with the bank's officers, Mr. Zink?

MR. ZINK: Yes, but I am not sure of the timing.

MR. KERR: Why don't you give me the context, and then we'll figure out what the date is, okay? How did that come about?

MR. ZINK: One of the things that happened during that meeting was that Dr. Farber solidified in all of our minds his inability to effectively help the company, and I believe it was becoming increasingly apparent up until that point and then culminating at that point that Farber--it wasn't working with Farber in it. But the problem was how do you get him out.

And, based on my conversations with Mr. DeVult--and what I'm trying to put in a time frame is if Mr. Zucker made any comments to Mr. DeVult about having the financial means somewhere to get Farber out.

MR. KERR: So that I can understand what's going on here, the deal to take out Mr. Farber closed on October 3rd. I believe from what you told us that Mr. Zucker wouldn't have been present for that, right?

MR. ZINK: That's correct.

MR. KERR: And from what you have told us previously off the record, Mr. Zucker was in town on September 21, 22, perhaps September 23, and then he comes back in on Saturday, September 27th, 1986, and then, so far as Mr. Farber is concerned, Mr. Zucker doesn't appear on the horizon again, isn't that right?

MR. ZINK: That's correct.

MR. KERR: Now, if Mr. Zucker made any representations to the bank's officers, is there any occasion other than the 22nd when that could have occurred?

MR. ZINK: Not to my knowledge.

MR. KERR: Do you have a present recollection of Zucker making representations to the bank's officers about Hakim and Secord?

MR. ZINK: Faintly, yes.

MR. KERR: So if there were such representations, more likely than not they would have occurred at the meeting on the 22nd, is that correct?

MR. ZINK: Yes.

MR. KERR: Mr. Clark, do you have anything that you can add or that's inconsistent with that recollection?

MR. CLARK: I do not.

MR. ZINK: Could I add one thing?

MR. KERR: Sure.

MR. ZINK: Based upon my conversation with Mr. Zucker the Friday preceding the visit, I may have said something to Mr. DeVult as well. One of the things the bank was interested in was will Forway make it, i.e., will they lose their million-plus loan. And they recognized that with him in it the probability was a whole lot higher ---

MR. KERR: "Him" being?

MR. ZINK: Farber. So that in the ongoing discussions that I would have almost daily with our loan officer, that would be something that, based on a conversation with Mr. Zucker, I may have replayed back to Mr. DeVult.

MR. KERR: Loan officers are funny creatures, and every bank is different, but I would have thought that if the bank was looking to the financial backing of Hakim or Secord or CSF, they might have wanted you all to make some kind of representation in writing. They didn't want you to do that?

MR. ZINK: No.

MR. MONSKY: Do you remember Mr. Zucker making a representation, something to the effect that a general would be making an investment in the company?

MR. ZINK: Yes.

MR. MONSKY: Could you describe that, as best you could.

MR. ZINK: Somewhere in this last September time

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frame, a representation that I believe I heard back from Mr. DeVult was made to him by Mr. Zucker, describing that potentially a general, not just any general, may be interested in acquiring some or a piece of Farber's equity.

MR. MONSKY: And did you have any inkling of who that general might have been?

MR. ZINK: The name Secord was I believe thrown out. At the time the name meant nothing to anybody.

MR. KERR: Moving the chronology a bit further forward, Zucker, to the best of your recollection, did in fact leave the Woodbury area on September 23rd?

MR. ZINK: Yes.

MR. KERR: By that time, Mr. Clark, had you also departed?

MR. CLARK: I believe so.

MR. KERR: We have another notation that Zucker visited the Republic National Bank on September 25th, 1986, suggesting he was in the New York City area at that time. Do either of you have any knowledge what business he was doing in New York on or about September 25th, 1986?

MR. ZINK: No.

MR. CLARK: I do not.

MR. KERR: We have been advised that Mr. Zucker was back in Woodbury on September 27th, 1986. Is it your understanding that that is correct?

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MR. ZINK: Yes.

MR. KERR: It's a Saturday.

MR. ZINK: Yes.

MR. KERR: And neither of you were present when he was meeting with Harold Cohen and Mr. Farber and Mr. Horowitz, is that right?

MR. CLARK: Yes.

THE REPORTER: "Yes" was your answer?

MR. ZINK: That's correct.

MR. KERR: Did you receive information from Mr. Zucker on that Saturday on what he was about?

MR. ZINK: Yes, I did.

MR. KERR: What did you hear from him? How many times did you hear from him?

MR. ZINK: I believe I made a total of three calls, a minimum of three calls to Mr. Cohen's office, and the first one was in the 10 o'clock time frame. I learned that Mr. Zucker was not doing very well with the negotiations, and was very frustrated, and could I call back in an hour or so.

MR. KERR: You learned that from Zucker himself?

MR. ZINK: Yes, I did. I called back--and this is a guess--in the noon time frame. I was told by Harold that Bill had stepped out.

MR. KERR: That would be Harold Cohen?

MR. ZINK: Harold Cohen.

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MR. KERR: Did he tell you where Mr. Zucker had stepped out to?

MR. ZINK: No, he did not. And then I made I think a final phone call in the 2 or 3 o'clock time frame where Mr. Zucker informed me that he was extremely frustrated and had given up trying to reach a settlement with Farber and was going to New York.

MR. KERR: Let me just stop you there. Do either of you have any knowledge of a trip that Zucker took to Philadelphia Airport that day, September 27,. 1986, some time between 10 and 2 that day?

MR. ZINK: No, I do not.

MR. CLARK: I don't know.

MR. KERR: Mr. Clark, did you have occasion to talk with Mr. Zucker that day?

MR. CLARK: It's possible. My recollection is that shortly thereafter--I may need some help on dates--it became apparent that the only circumstances under which Farber was going to sell is if he was pressured and pressured very hard to sell, to which point I developed an ultimatum that I would no longer go along with the banks and I would call the loans unless he agreed to sell for $750,000.

MR. KERR: Let me stop you there. You and Mr. Zink had indicated that Mr. Zucker was frustrated. What was frustrating him, his inability to come to terms with Farber?

MR. CLARK: He was frustrated in getting a deal, and I think in addition to that he was frustrated by Farber's lack of flexibility and perhaps by having the son-in-law come into this, and the son-in-law, if I remember correctly--it's a vague recollection--was not a positive force in Zucker's eyes in terms of persuading Farber to accept a deal.

MR. KERR: Did you have any further contact, Mr. Zink, with Mr. Zucker on this matter that weekend?

MR. ZINK: No, I did not.

MR. KERR: Could you have contacted Mr. Zucker the following Monday, September 29, 1986?

MR. ZINK: Yes, I did.

MR. KERR: And what was the nature of that contact?

MR. ZINK: I believe I received a phone call from Mr. Zucker whereby he told me that he had given his proxy to Mr. Clark and that, as far as Jacob Farber and Harold Cohen were concerned, he was off the face of the earth for a future period.

MR. KERR: Do you know where Zucker was at the time that you had that conversation with him?

MR. ZINK: I don't know for sure.

MR. KERR: Can you give me your best guess or estimate?

MR. ZINK: In Jacksonville, Florida.

MR. KERR: And what is that based on?

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MR. ZINK: The dates--I would have to substantiate it with dates, but I believe Mr. Zucker had meetings with Mr. Cornelius in Jacksonville in that time frame, and that's why I said it. I'm not definite about it; the dates would have to bear me out.

MR. KERR: Did it come to your attention some time during the week of September 29, 1986, that Mr. Zucker was back in Switzerland?

MR. ZINK: That was my assumption, yes.

MR. KERR: Do you recall receiving a telephone call from him from Switzerland during that period of time, some time through and including the 3rd of October?

MR. ZINK: I don't remember whether I did or didn't.

MR. KERR: Mr. Clark, did you have any contact with Mr. Zucker during that period up to the 3rd of October?

MR. CLARK: I may have; I do not recall precise conversations.

MR. KERR: In terms of doing the deal with Farber, an agreement was ultimately reached that week, was it not?

MR. CLARK: Yes.

MR. KERR: Who was responsible for handling that transaction for you and Mr. Zucker?

MR. CLARK: Mr. Bright.

MR. KERR: And he had power of attorney from you and from Zucker?

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MR. CLARK: Yes.

MR. KERR: In terms of the deal that was done, as of October 3rd, 1986, when the deal was consummated, what understanding, if any, did you have of the role Messrs. Hakim and Secord might play in this transaction?

MR. CLARK: I have a memo here, dated 6 October '86, which indicates that Hakim and Secord would probably purchase two-thirds of the shares owned by Farber, to the net effect of--the transaction would be that Hakim and Secord would end up with a third of the equity, Clark Management would end up with a third of the equity, and CSF would end up with a third.

MR. KERR: Now, the memo is dated October 6. Did you have an understanding prior to October 6 that this was the nature of the arrangement that was going to be entered into?

MR. CLARK: From my standpoint, I was purchasing a third and CSF was purchasing a third. I did not know whether or not Hakim and Secord in effect purchased their third, so to speak, through CSF. I considered that a matter between Zucker and Hakim and Secord.

MR. KERR: Let me show you the memorandum that's dated October 6, 1986--you have given us a copy of it. I would like to have that marked as Exhibit 2.

[The document referred to was marked for identification as Clark/Zink Exhibit No. 2]

With regard to Exhibit 2, you would have received a copy of this memorandum at or about the time of its date?

MR. CLARK: I don't remember.

MR. KERR: With regard to the points that are set forth in the memorandum, do you recall when you would have discussed them with Mr. Zucker?

MR. CLARK: I did not have a discussion of these points with Mr. Zucker.

MR. KERR: The memo was sent to Messrs. Wade and Zink. Did you discuss with them the terms that are set forth in the memorandum?

MR. CLARK: The terms of--you are referring to paragraph five?

MR. KERR: Well, the memorandum itself is addressed to Wade and Zink. Paragraph five goes through some tax aspects, and also talks about Hakim and Secord. But in terms of what's set forth in the memorandum, did you review this with Wade and Zink at some point?

MR. CLARK: I believe we did not. I believe it was for them to respond to the individual points that Zucker raised.

MR. KERR: And with regard to the Hakim and Secord potential purchase of two-thirds of Farber's shares, as set forth in 5(c)(i), do you have a recollection of discussing

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this aspect of things with Zucker at any time before October 6, 1986?

MR. CLARK: Yes; we discussed the possibility of them coming in. Once again, whether or not they came in was, from my standpoint, irrelevant. What was relevant and what was the only relevant point of this whole situation was that Farber would be bought out so that our new management could run the company without being stymied.

MR. KERR: So I can understand, it was of importance to you that CSF in some fashion or another put up the money to buy out Farber, correct?

MR. CLARK: It was important to me that Farber be bought out, period.

MR. KERR: With regard to how Hakim and Secord would fit into the corporate structure, was there any discussion between you and Mr. Zucker about whether or not Hakim and Secord would actually appear on the books of the corporation as stockholders?

MR. CLARK: There was no discussion of that.

MR. KERR: One way or the other?

MR. CLARK: One way or the other.

MR. KERR: The desirability of having Hakim and Secord as unidentified equity holders of stock was not discussed, is that right? Are you with me?

MR. CLARK: I can respond to your question by making the observation that I assumed that it would be done through CSF. At the same time I assumed that Zucker felt it would be a point in favor of the company, to the advantage of the company, to have Secord involved. It was unclear to me whether he would be publicly involved as a director or not. And I think --

MR. KERR: What you put your finger on is what troubles me. If, on the one hand, you are holding Hakim--or somebody is holding is holding Hakim or Secord out as investors of significance to the bank, that would suggest that their position was going to be disclosed in some fashion or another.

MR. CLARK: Yes. I do recollect one conversation with Zucker--and I cannot tell you when it happened--but we were talking about the board of directors, and my recollection is maybe Secord.

MR. KERR: I see. But there was no agreement actually reached on giving a position on the board to either Hakim or Secord, is that right?

MR. CLARK: No, not a formal agreement.

MR. KERR: And no actual agreement was entered into, to your knowledge, obliging Hakim and Secord to purchase an equity position in the corporation, is that right?

MR. CLARK: Could you say that again?

MR. KERR: Sure. No actual agreement was entered into, to your knowledge, obliging Hakim and Secord to purchase an equity position in Forway.

MR. CLARK: Correct.

MR. MONSKY: Mr. Zink, did you receive a copy of this memo?

MR. ZINK: Yes, I did.

MR. MONSKY: And after you read this memo, what was your impression of the role that Hakim and Secord would be playing with respect to the Farber situation?

MR. ZINK: I assumed that Secord and Hakim would probably acquire the equity.

MR. MONSKY: Was there a debt to be purchased from Mr. Farber?

MR. ZINK: The debt was forgiven under the terms of the buy-out agreement.

MR. MONSKY: Did you discuss this memorandum with Mr. Zucker?

MR. ZINK: Not immediately.

MR. KERR: But you did discuss it at some point.

MR. ZINK: Yes.

MR. KERR: At what point?

MR. ZINK: Two pieces. The first piece deals with what's on the second page, the growth and prosperity in the future of Forway. And Ron Wade and I reacted to the page 2 words, something along the lines: has he lost his marbles?

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MR. KERR: You thought it was a tad too optimistic?

MR. ZINK: Just a tad, yes. And the wording back there, because of our day-to-day operational involvement, overtook at the time what was on page 1.

MR. MONSKY: Was the reference to a minimum sales volume of $15 million high?

MR. ZINK: Yes. The largest sales the company ever had were $10 million.

MR. MONSKY: Is that a year?

MR. ZINK: A year, yes.

MR. MONSKY: Did Mr. Zucker give you any impression about how the sales volume would pick up?

MR. ZINK: No, and that was why it was so ludicrous.

MR. KERR: But he didn't make any representations to you about how he or Hakim or Secord or Mannie Wiegensberg or anybody else was going to come to the rescue of the company.

MR. ZINK: That's correct. And the second piece to the discussion on this was some question initially about--and I don't believe it happened until even late October; I mean, it was not something that we immediately reacted to because of our distaste for page 2. Operationally, other than the debt entry, nothing there really mattered in doing the things we were doing at Forway. And that's exactly how they were handled. The whole idea of a recapitalization, stock

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certificates, etcetera, etcetera, were put off.

MR. KERR: Did there come a time when you had an actual conversation with Zucker about the potential contribution of Hakim and Secord by way of a purchase of these shares? Did you ever discuss item 5(c)(i) with Mr. Zucker at any time?

MR. ZINK: Yes.

MR. KERR: When was that?

MR. ZINK: It was after the news of those individuals' involvement in the larger issue we are here talking about.

MR. MONSKY: Prior to this discussion, was your impression that the purchase had been made, as described in the memorandum?

MR. ZINK: I did not know how the purchase was effected. I did not participate in the arrangement of wiring of funds and the like.

MR. MONSKY: Well, Farber was bought out, right?

MR. ZINK: Yes.

MR. MONSKY: And the transaction described here, the process of buying Farber out--the transaction was in the fashion described in this memorandum in terms of the dollar amounts and so forth.

MR. ZINK: I did not know how the money was moved.

MR. MONSKY: But the money was moved.

MR. ZINK: Farber was paid.

MR. KERR: That occurred October 3rd, to your knowledge.

MR. ZINK: Correct.

MR. MONSKY: And so your only knowledge of who might have paid Farber would come from this memorandum up to that date.

MR. ZINK: Combined with the discussion that I had with Mr. Zucker preceding his visit in September.

MR. KERR: And that discussion related to Hakim and Secord.

MR. ZINK: That's correct.

MR. ZANARDI: Just one question. You had no reason to doubt that the terms of the memorandum were not implemented.

MR. MONSKY: You had no reason to doubt it and nothing to confirm it.

MR. ZINK: That's correct.

MR. KERR: Mr. Clark, did you have at any time up until some time in November any further knowledge of the role that Hakim and Secord may have played in this transaction as it was done by CSF?

MR. CLARK: No, I did not.

MR. KERR: Now, you had a conversation, Mr. Zink, some time in November, is that correct?

MR. ZINK: Approximately.

MR. KERR: The conversation was yourself and Mr. Zucker?

MR. ZINK: Yes.

MR. KERR: Anybody else participate in that conversation?

MR. ZINK: Not to my knowledge.

MR. KERR: Was it by telephone or face to face?

MR. ZINK: It was telephone.

MR. KERR: And can you describe for me what transpired in that conversation?

MR. ZINK: It was a conversation--and I don't specifically remember the conversation, I believe there were several issues discussed, one of which we talked about the more key issue and other items related to Forway.

I posed the question to Mr. Zucker: Given what's going on, do Secord and Hakim have a beneficial interest in Forway? And his response to me was no.

MR. KERR: And that conversation would have taken place after the press attention began to focus on the ---

MR. ZINK: CSF, Secord, Hakim--and my banker started to ask me questions.

MR. MONSKY: Was your question to Zucker: What should I tell the bankers?

MR. ZINK: I don't know how the question was

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worded. I don't think the banker issue was the only issue that concerned me.

MR. MONSKY: Did you put the question to Zucker: Did Secord or Hakim ever at any time have an interest?

MR. ZINK: No.

MR. MONSKY: So you were left with the impression that as of that moment Hakim and Secord did not have an interest.

MR. ZINK: Yes.

MR. MONSKY: Did Zucker say to you anything to the effect: No, they don't have an interest now, and they never have; the memorandum that was sent to you that mentioned Hakim and Secord, there was no investment.

MR. ZINK: No; the way it was put was that CSF owns two-thirds of Forway's equity.

MR. MONSKY: As of that moment?

MR. ZINK: I don't know whether that was qualified that way.

MR. KERR: So you don't know when in time, if ever, CSF acquired that position?

MR. ZINK: No, I don't.

MR. KERR: And, Mr. Clark, do you know anything more about that arrangement?

MR. CLARK: No, I do not, except the --

MR. KERR: The March memo?

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MR. CLARK: Yes.

MR. KERR: Maybe the time is now to deal with the March memo, since it cross-references this one. Let me have marked as Exhibit 3 the March 6th, 1987, memo from Mr. Zucker to Mr. Clark.

[The document referred to was marked for identification as Clark/Zink Exhibit No. 3]

Let's mark as Exhibit 4 a memo from Mr. Bright to Mr. Zucker of March 6, 1987.

[The document referred to was marked for identification as Clark/Zink Exhibit No. 4]

Now, in terms of what's going on in Exhibits 3 and 4, the memo from Mr. Bright to Mr. Zucker, was it, to your knowledge, FAX'ed or otherwise electronically transmitted to Mr. Zucker on the 6th of March, do you know, Mr. Clark?

MR. CLARK: I assume it was because it says "facsimile memorandum."

MR. MONSKY: Have you asked Mr. Bright about that, whether it was transmitted on that day?

MR. CLARK: Whether it was transmitted on that day? No, I have not.

MR. KERR: Is it your understanding that the Zucker-to-Clark memo is in response to the Bright-to-Zucker memo?

MR. CLARK: Yes, it was.

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MR. KERR: From the Bright memo, it appears that there was some financial concern that was before the company on March 6th, 1987, is that your understanding as well?

MR. CLARK: Yes.

MR. KERR: And in response to that concern Mr. Zucker was being asked to see to it that CSF would put up $200,000 in additional collateral, is that correct?

MR. CLARK: Yes.

MR. KERR: Now, Mr. Zucker got back in touch with you and sent you the March 6th memo--and let's dwell on the first paragraph for a moment.

That paragraph says "Given existing circumstances and fact that I had to finance purchase of one-third from fat man when the others were dropped for obvious reasons, I think it appropriate that you proceed to do what is requested in the above-mentioned memo."

The "above-mentioned memo" is the CBB FAX memo of 6 March 1987, I think, but I'm not sure. Can you translate that paragraph for me in terms of what you understood it to mean?

MR. CLARK: I understand that he is asking me to put up the $200,000 in collateral.

MR. KERR: And the explanation for that is what, as that memo is written?

MR. CLARK: As I understand this

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MR. KERR: Let's take it step by step. The "fat man" translated to whom, as far as you were concerned.

MR. CLARK: Jacob Farber.

MR. KERR: The "others" were who?

MR. CLARK: I assume Secord and Hakim.

MR. KERR: Last point was "for obvious reasons." What did you understand "obvious reasons" to refer to?

MR. CLARK: The publicity surrounding their names.

MR. MONSKY: Did you understand that to mean, then, that they were dropped at the time of the publicity?

MR. CLARK: I have--I can only read what is here, and I think you have to interpret it.

MR. MONSKY: Well, I'm asking you for your interpretation.

MR. BRIGHT: Alfred, if you know. You don't have to guess.

MR. CLARK: You asked me the "when" question.

MR. MONSKY: Yes.

MR. CLARK: The answer is I do not know.

MR. KERR: You never had occasion to discuss with Mr. Zucker whether at any time Hakim and Secord had purchased from or through CSF an equity interest in Forway, is that right?

MR. CLARK: That's correct. As I said before, to me it was irrelevant --

MR. KERR: I understand.

MR. CLARK: -- who the purchasers were. The only relevancy was getting Farber out.

MR. KERR: The reason I ask, and the reason it might be relevant--see if it stirs any further recollection--one sometimes is concerned about potential lawsuits that might arise when this kind of unhappiness hits the newspapers. Did you ever have occasion to discuss with Zucker any events involving Hakim or Secord that might give rise to potential litigation over his interest in Forway, claims that could be made against this stock that's been purchased with funds from the Iran expedition, for example?

MR. CLARK: No, I did not.

MR. KERR: The remaining references in this memorandum to "RW" and "OBEF" refer to an employment situation, is that correct?

MR. CLARK: That's correct.

MR. KERR: And, Mr. Zink, maybe you can give us in a nutshell what that refers to.

MR. ZINK: Mr. Zucker was proposing that Forway obtain visas for two individuals from Spain or from Switzerland who would become employees of Forway, and Ron Wade and I had some serious reservations about the practicality and appropriateness of bringing people in when we were in a workforce-reduction mode. And the issue culminated in Rod

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Wade I believe sending a Telex to Mr. Zucker to the effect that it didn't make sense, and Mr. Clark intervened at some point in that correspondence to effectively kill that issue.

MR. KERR: Now, just one final follow-up question on that, Mr. Clark. You did in fact advance the $200,000 in question after receiving this memo from Mr. Zucker, is that correct?

MR. CLARK: That is correct.

MR. KERR: Now, with regard, Mr. Clark, to further meetings and conversations that you have had with Mr. Zucker, you have had occasion to meet with and have discussions with Mr. Zucker since October 3rd, 1986, isn't that right?

MR. CLARK: That's correct.

MR. KERR: Can you describe for me the occasions when you have met face to face with Mr. Zucker since that time--how many such occasions and when were they?

MR. CLARK: They were in the period at the end of 1986 or the beginning of '87.

MR. KERR: So that would be late December, early January?

MR. CLARK: Yes. That's one occasion. The second occasion was February 11th, 12th. And there may have been another occasion in March, I'm not sure.

MR. KERR: And where would these meetings have taken place?

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MR. CLARK: They were in Geneva at the office of CSF.

MR. KERR: And can you give me your best recollection of the things that you and Mr. Zucker would have discussed at those meetings?

MR. CLARK: These discussions were about the phase-out of Clark Management's role as an investment manager for CSF.

MR. KERR: Now, did you have occasion during one or more of those meetings to discuss with Mr. Zucker Mr. Zucker's relationship with Secord and Hakim as it was being raised in the press at that time?

MR. CLARK: I did not discuss it with him and I did not ask any questions. He volunteered information to me.

MR. KERR: What did he tell you?

MR. CLARK: He told me that six and a half million dollars, or an amount of money in that general neighborhood, had been segregated, separated, or frozen, pending what I assume to be the final determination of who the money belonged to.

MR. MONSKY: Did he say anything to you about how the number 6.5 million was arrived at?

MR. CLARK: No.

MR. KERR: Go ahead.

MR. CLARK: He also said that the fees that CSF had

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received were customary fiduciary fees, they were standard fiduciary fees, and those were the only fees they received, indicating to me that he was acting as an agent rather than as a principal. He said that Roland Farina, who was the head of their accounting, had excellent records showing money that was coming in, money that was going out, and that Hakim had been given copies of all these records. And he hoped that Hakim would turn it over to the special prosecutor and to your committee. He also said that he could not do it because of Swiss law, under which he would be penalized if he did.

MR. KERR: Anything further you recall about that representation by Mr. Zucker?

MR. CLARK: No.

MR. KERR: In terms of trying to place it in time as between end of '86, February 11-12, or some time in March, can you --

MR. CLARK: My guess is that it was at the earlier of those meetings.

MR. KERR: Have you ever had a conversation with Mr. Zucker since the stories in the newspapers about Mr. Zucker's involvement in making or attempting to make offers of support to either the North family or Mrs. North?

MR. CLARK: No.

MR. KERR: So you never had occasion to discuss that or have him discuss it with you?

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MR. CLARK: No.

MR. KERR: Mr. Zink, have you ever had occasion to discuss that with Mr. Zucker?

MR. ZINK: No.

MR. KERR: Have either of you had dealings with Mr. Farina?

MR. CLARK: Yes, I have.

MR. KERR: And can you tell me the kinds of things that you talk about with Farina?

MR. CLARK: Farina is the person who is in charge of the accounting and computer operation, recordkeeping operation, at CSF. He is the person that we, Clark Management, dealt with in terms of statements, brokerage statements, in terms of the recordkeeping.

MR. KERR: Was there ever a time when you had any conversation with Mr. Farina about the role he played at CSF relating to Mr. Hakim or General Secord?

MR. CLARK: No.

MR. MONSKY: Is Mr. Farina still with CSF?

MR. CLARK: My understanding is he has left.

MR. KERR: Do you know when that occurred?

MR. CLARK: I believe he told me that he was leaving at the end of March.

MR. KERR: Did he say anything to you or did anybody else ever tell you why it was that he left CSF?

MR. CLARK: No.

MR. KERR: Let's go off the record.

[Brief discussion off the record]

MR. KERR: Back on the record. In terms of your experience with Mr. Farina and, more generally, CSF bookkeeping, recordkeeping, operations, can you describe what experience you had with Farina and CSF?

MR. CLARK: Yes. It was an account and fiduciary trust company and we were doing transactions at brokerage houses, in particular Parker-Alexander and Bear-Stearns. It is not uncommon to have a lot of errors, and you have to reconcile them. And these would inevitably happen on a continuing basis, and there would be a lot of questions from him to us: what about this, what about that, what about the other thing? And so there was communication going back and forth about that.

MR. MONSKY: Did he prepare, Farina or people at CSF prepare reports and send them to you and ask you to reconcile those reports?

MR. CLARK: No.

MR. ZANARDI: You sent reports to him?

MR. CLARK: Yes. And he would ask us questions based upon those reports.

MR. MONSKY: Off the record.

[Brief discussion off the record]

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MR. KERR: Two other matters. Mr. Zink, you've had conversations with Mr. Zucker since October 3rd?

MR. ZINK: Yes.

MR. KERR: You had one in November that we discussed.

MR. ZINK: Yes.

MR. KERR: Have you had subsequent conversations with Mr. Zucker?

MR. ZINK: Yes.

MR. KERR: Have you had any further conversations with Mr. Zucker that would relate to the matters that have been subject to press coverage?

MR. ZINK: Nothing direct. I can remember two or three conversations--once again, the focus was Forway matters. And I can remember a piece of the conversation being something along the line: how's it going, Bill? And getting, you know, things-are-tough, getting-by kinds of answers.

MR. KERR: Did Mr. Zucker ever indicate to you when we might expect to see him in the United States again?

MR. ZINK: No, he has not.

MR. KERR: Mr. Clark?

MR. CLARK: No, he has not.

MR. KERR: And with regard to Mr. Zucker, when last did you speak to Mr. Zucker?

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MR. ZINK: Maybe a month ago.

MR. KERR: With regard to the investigation of the House and Senate committees, you had no discussions with him about our contact with you, is that correct?

MR. ZINK: Absolutely not.

MR. KERR: Mr. Clark?

MR. CLARK: No.

MR. KERR: Does Mr. Zucker have counsel in the United States, to your knowledge?

MR. ZINK: I believe so, yes.

MR. KERR: Who would that be, to your knowledge?

MR. ZINK: I don't know the firm's name.

MR. KERR: Do you know the lawyer's name?

MR. ZINK: I know of one attorney in New York that did an opinion for Mr. Zucker. It's a guess: I think his name is Baller, but I'm not a hundred-percent sure.

MR. KERR: Mr. Clark, do you have any knowledge of legal counsel Mr. Zucker would have in the U.S.?

MR. CLARK: No.

MR. ZINK: I would also add to that that when I was interviewed by the special prosecutor, Mr. Bright took notes of that interview and sent them to Mr. Zucker's counsel, or who I assumed to be Mr. Zucker's counsel.

MR. KERR: Let's go off the record for a second.

[Brief discussion off the record]

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MR. KERR: We've made inquiry of Mr. Bright as to who it was that he sent the notes to. Mr. Bright indicated that in that matter he was acting as counsel for Zucker, and that while he has no objection to revealing who he sent the notes to, he feels that it's a matter of attorney-client privilege that he is not free to waive and make available to us, is that right, Mr. Bright?

MR. BRIGHT: That's right.

MR. KERR: Thank you.

MR. MONSKY: Back off the record.

[Brief discussion off the record]

MR. MONSKY: Mr. Clark, I just want to clarify one point. There is a memorandum attached to Exhibit 1. The memorandum is undated. Could you tell me how you placed the date of that memorandum?

MR. CLARK: Yes, the first line says "You may or may not recall that the day after the wedding Al Clark and I picked up Richard Secord at the Philadelphia Airport." The wedding reference is related to the wedding of Farber's daughter, which I attended. And in my file I had a letter to Farber thanking him for being included in the wedding, and in my letter I say: I greatly enjoyed myself at your extravaganza last night. The letter is dated June 18, so I assume the wedding was on the 17th--that's 1984. So in this way that was how I was able to determine a date for the memorandum.

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MR. MONSKY: Thank you.

MR. KERR: Let's shift gears for just a moment and turn to a somewhat different matter. In 1986 Forway Industries was a subcontractor on a [redacted] contract [redacted] is that right?

MR. ZINK: No.

MR. KERR: What was the nature of the relationship on that contract?

MR. ZINK: Forway's contract was with the BDM Corporation.

MR. KERR: BDM was the general, to your knowledge?

MR. ZINK: They were the prime.

MR. KERR: Prime contractor? They had the contract with the government?

MR. ZINK: That's my understanding, yes.

MR. KERR: Your contract ran with BDM.

MR. ZINK: Correct.

MR. KERR: Now, in terms of the Forway contract with BDM, did General Secord become involved in some fashion with that contract?

MR. ZINK: Yes.,

MR. KERR: When in time did he become involved?

MR. ZINK: General Secord was appraised [sic] of the requirements of the contract some time between May of '86 and November of '86. He took part in an actual transaction that

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took place in December of '86.

MR. KERR: Now, did CSF play a role in the transaction?

MR. ZINK: Yes, they did.

MR. KERR: Can you give me the essence of the role that CSF played?

MR. ZINK: They posted a letter of credit on behalf of Forway Industries due to Forway's inability to do the same thing.

MR. KERR: Now, with regard to General Secord, General Secord brought in yet another individual to assist in that contract, is that correct? One Emmanuel Wiegensberg, to be precise?

MR. ZINK: Yes.

MR. KERR: And Forway entered into a relationship of some kind with Mr. Wiegensberg, is that correct?

MR. ZINK: With Mr. Wiegensberg's firm.

MR. KERR: And with regard to which of Mr. Wiegensberg's many firms that might be, can you tell me which firm it was?

MR. ZINK: It was either Trans-World Arms or Parktown Products, something like that.

MR. KERR: With regard to General Secord, did General Secord receive any payment, to your knowledge, arising out of this transaction?

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MR. ZINK: Yes, he did.

MR. KERR: And how much was he paid?

MR. ZINK: $32,000.

MR. KERR: And was that payment to him or to STTGI?

MR. ZINK: The $32,000 payment was made to STTGI.

MR. KERR: Was Mr. Wiegensberg paid anything, to your knowledge, or his firm?

MR. ZINK: Yes. He was paid for the cost of the product being acquired as well as reimbursed for transportation-related costs--shipping, handling, licensing, etcetera.

MR. KERR: The amount of the payment to the Wiegensberg entity was what--approximately?

MR. ZINK: $180,000.

MR. KERR: And then on top of the $180,000, $32,000 was paid to STTGI?

MR. ZINK: Correct.

MR. KERR: These payments were made approximately when?

MR. ZINK: Mid-December '86.

MR. KERR: To your knowledge, have there been any other payments made by Forway to General Secord or STTGI?

MR. ZINK: No.

MR. KERR: Have there been any further payments made to Mr. Wiegensberg's firm?

MR. ZINK: Yes.

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MR. KERR: Can you tell me approximately when in time that payment was made?

MR. ZINK: I'm comfortable with an amount of around $44,000.

MR. KERR: Approximately when?

MR. ZINK: The timing I'm not real sure of, but had to be in the January-to-April time frame of '87.

MR. KERR: And by that time, January to April 1987, in terms of any payment rights that General Secord or STTGI would have, had those payment rights been negotiated to take place in some other fashion other than the first transaction?

MR. ZINK: If STTGI or any other entity were to be involved in another such transaction, it was agreed by the parties that one payment would be made to Mr. Wiegensberg's organization, the disposition of funds to any other parties involved in the transaction would not be something that Forway would necessarily become involved with.

MR. KERR: Is there a continuing relationship between Forway and Mr. Wiegensberg's entity at present?

MR. ZINK: Not to my knowledge.

MR. KERR: Do you anticipate any such relationship in the future?

MR. ZINK: I don't know.

MR. KERR: Have you ever met Mr. Wiegensberg?

MR. ZINK: No.

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MR. KERR: Do you have any knowledge of when we might have Mr. Wiegensberg grace the United States once again?

MR. ZINK: No, I don't.

MR. KERR: Thank you. I think that does it, gentlemen. Many thanks, I appreciate it.

[Whereupon, at 7:15 p.m., the taking of the deposition in the above-entitled matter was concluded]

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I have read the foregoing 88 pages, which contain a correct transcript of the answers made by me to the questions therein recorded.

____

ALFRED C. CLARK

____

GREGORY L. ZINK

- - -

Subscribed and worn to before me this ________

day of ____________________, 1987.

____

Notary public in and for:

My commission expires:

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CERTIFICATE OF NOTARY REPORTER

I, Terry Barham, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me and thereaftrer reduced to typewriting by me or under my supervision; that said deposition transcript is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Terry Barham, Notary Public in
and for the District of Columbia

My commission expires May 15, 1989.

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18 JUN 84

Clark/Reed Ex. 1, 7/1/87 J [redacted]

COPY

Clark Management Company
Incorporated

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June 18, 1984

Mr. Jacobo Farber
Forway Industries, Inc.
122 Green Avenue
Woodbury, NJ 08096

Dear Jake,

I greatly enjoyed myself at your extravaganza last night which was first-rate from start to finish. If how I felt this morning was an indication of how good the party was, I have not been to a better one in years.

I left Ruth's present with your secretary but forgot to leave the enclosed card.

I was delighted to be a part of your special occasion and I look forward to seeing you again in the near future.

With best regards.

Sincerely,

Alfred Clark

Enclosure

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[redacted] Declassified/Released on 26 JAN 88
under provisions of E.O 12356
by R. Johnson, National Security Council

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522 Fifth Avenue, New York 10036/Tel. (212) 764-6200/Telex: 668645 Asset

NO DATE

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MEMORANDUM

TO : Dr. Jacobo Farber, Forway Industries
CC : Mr. Alfred Clark
FROM : Willard I. Zucker
RE : Richard V. Secord, STTGI

You may or may not recall that the day after the wedding Al Clark and I picked up Richard Secord at the Philadelphia Airport and brought him to Forway. Secord is a former airforce general who, during his military service, was responsible for the sale of American military equipment to many foreign countries as the representative of the United States Government and Military Forces. I believe him to be a knowledgeable and effective individual. He is now associated, for better or for worse, with Albert Hakim in a venture called Stanford Technology Trading Group International (STTGI). You have met Albert and you have formed your own assessment as to the degree to which he can be of possible help to Forway.

Richard Secord advises us that a decision has been made by the United States Government to initiate a program for the manufacture of spare parts for certain foreign military equipment. No one has specified the origin of this equipment but each person is free to speculate on its source of origin. Apparently, as was the case in Egypt, certain foreign countries in the past furnished large amounts of this equipment to countries who, at the time, were their allies or friends. The relationships having subsequently changed, the countries having this equipment are in no position to make use of it because of an absence of spare parts.

From what I understand, the United States Government has concluded that it would be more cost effective to effect a repair of this existent equipment than to furnish these countries with new equipment, and accordingly the US Government is prepared to commit funds to secure the manufacture of the necessary spare parts which it will then provide to certain countries it selects. According to Secord, he believes that he can get Forway in on the "ground

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floor" of this business and that it could represent a very, very substantial ongoing business for Forway. In fact, some of the numbers thrown around by Hakim run into amounts in excess of 100 million dollars to be appropriated by the Government for this activity.

We can also imagine certain other uses that the US Government may have for some of this equipment if it is repaired. At present there is one area of activity where the US Government is endeavoring to assist people resisting forces of the country which manufactured this equipment and where it is less embarrassing to equip the resistance forces with equipment manufactured by the other party than to introduce American equipment which could be found in the area. Whatever the reasons that the Government has for this program, it appears that if it does go ahead it is something that we should monitor very closely.

I think that it is important that you meet with Secord as soon as possible, first to form your own opinion of the man and second to get better informed as to what this program is, where it is to be administered, its aims and objectives.

A last point to be resolved is to design a method of compensation for Secord and his present employer which would be consistent with existing laws and regulations applicable in the United States with respect to the procurement of this type of equipment. Before any proposals are made, I would very much be interest to be party to the deliberations for I have years of experience in dealing with Albert Hakim who is involved in STTGI.

WIZ/amc

UNCLASSIFIED

6 Oct 86

[illegible] 2, 7/6/87, TB

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MEMORANDUM

TO : Ron WADE
Greg ZINK

CC : Alfred Clark
Albert Hakim

FROM : Willard I. Zucker

RE : FORWAY

DATE : Monday 6 October 1986

---

1) Recap Co. to 1,800,000 shares of no par, or $ 1.-- par value.

2) Cancel $ 200,000 debt to Farber
   - (a) does this create income for book purposes ? Probably.
   - (b) Does this create taxable income ?

3) What is our NOL carryforward at 30/6/86 ?

4) Let's find appraiser for the building (small), and get approval from Harold Cohen that appraiser is satisfactory to them.

5) I propose that we treat for tax purposes the JF transaction as follows :

   - (a) Termination of employment contract - no tax incidence, no book incidence.
   - (b) Surrender of debt by Farber - see above.
   - (c) JF sold his shares for $ 750,000
     - (i) Hakim and Secord will probably purchase 2/3rds of these shares for $ 600,000.
     - (ii) Al will purchase 1/6th for $ 75,000.
     - (iii) I will purchase 1/6th for $ 75,000.

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~~under provisions of E.O. 12356~~
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6) What will capital stock account be after cancellation of the debt to Farber of $200,000 ?

7) We are tentatively moving to each contribute $ 60,000 to capital to increase the capital stock account by $ 180,000.

8) To appease the bank, we will propose a collateral arrangement for $ 300,000 - no effect on Forway's books.

9) With the elimination of JF salary, etc. I look forward to :
   a) less bitching,
   b) monthly shipments of not less than $800,000 and preferably 1 million $. You should be able to cut a minimum of 5,000 invoices per year at average of $ 2,500 or $ 12,5 million in sales,
   c) a minimum of 25% Gross Profit Margin for 3,125,000 of Gross Profit,
   d) GSA controlled to 1,125,000,
   e) a before tax profit of 2 million.

10) At the earliest possible time, I wish to see back the funds which went to factor ineligible account receivables. This was taken for a specific purpose, and for short term and must be repaid.

11) Longer range - I think we can process 500 invoices per month (we have done this in the past) at $2,500 or more average for a minimum sales volume of 15 million dollars.

If we can made a gross profit of 25 to 30%, that should give us 3,750,000 to 4,500,000 as gross profit.

Allowing GSA, including interest expense of 2 million - that should leave us with 1,750,000 to 2.5 million of before tax profit or 11.66% to 16.66% of sales.

Can we do it ?

WIZ/ac

6 MAR 87

Clark/Zuck Ex. 3, 9/6/87, TS

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FAX MEMORANDUM

To: Al Clark

From: Bill Zucker

Re: CBB FAX Memo of 6 March 1987

Date: 6 March 1987

Given existing circumstances and fact that I had to finance purchase of one third from fat man when the others were dropped for obvious reasons, I think it appropriate that you proceed to do what is requested in the above mentioned memo.

If you disagree, please let me know.

Other pending issue was described in fax relayed by you from RW. I do not wish to make an issue of it notwithstanding any commitments I have made to OBEF, nevertheless I am certain he can explain presence on grounds of training and that any differential can be handled in ways not to excite locals. For me the question is whether it is the introduction of a higher level of competence (an issue I am incompetent to decide) and someone eventually capable of making a contribution and perhaps even replacing KD. I find dismissal on basis of RW conversation with gentleman mentioned and based on very short exposure under fat man regime perhaps not sound.

I would appreciate it if you would discuss matter in depth and determine, if possible, real motivations and make the decision on basis of what you think best for operation.

Beginning to see a flicker of light at end of tunnel.

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6 MAR 87

Clark/Zink Ex. 4, 7/6/87, TM

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FACSIMILE MEMORANDUM

March 6, 1987

TO: Mr. Zucker

FROM: Craig B. Bright

SUBJECT: First Pennsylvania Bank, N.A.

Greg Zinc informs me that the First Pennsylvania Bank, N.A. has been pressing him daily to post the additional $200,000 in collateral they have been promised. If it is not forthcoming promptly, they threaten to discontinue relations with Zinc's company. Not having received it from you they propose to demand it from Alfred.

Please get in touch with Devault and straighten it out.

With best regards.

CBB

C.B.B.

bc: Mr. Alfred C. Clark

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~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

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HBITS 0065 /87

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DEPOSITION OF GEORGE CLARKE

Wednesday, June 3, 1987

U.S. House of Representatives,

Select Committee to Investigate Covert
Arms Transactions with Iran,

Washington, D.C.

Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

4011

Partially Declassified/Released on 12-18-87
under provisions of E.O. 12356
by N. Menan, National Security Council

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DEPOSITION OF GEORGE CLARKE

Wednesday, June 3, 1987

U.S. House of Representatives,
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

The deposition convened at 1:00 p.m., in Room 2226, Rayburn House Office Building.

Present: Pat Carome and Bruce Fein, Staff Counsels, House Select Committee to Investigate Covert Arms Transactions with Iran.

Also present: Rhonda M. Hughes, Legislative Counsel, Office of Congressional Affairs, Central Intelligence Agency.

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MR. CAROME: Good afternoon. Sorry for the slight delay in getting underway.

For the record, I am Pat Carome, Staff Counsel for the House Select Committee to Investigate Covert Arms Transactions with Iran.

Also present is another attorney on our committee, Bruce Fein.

The CIA has been provided with a copy of our committee's rules and its regulations and I have given you another copy now.

I just want that to be on the record.

The mandate of the House Committee is to investigate the circumstances surrounding primarily the Iran affair, but also the United States' involvement with the contras, and this deposition is being conducted pursuant to the rules that I have just referred to.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q Could you at the outset very briefly tell me a little bit about your background, your schooling, and the positions that you have held at the Agency.

A I received a BA and JD from University of Iowa in 1965-1968. I spent six years on active duty with the Army JAG Corps, served in Vietnam.

When I got out of the Army, I came to the Office of General Counsel as an attorney.

Q What year was that?

A That was 1974.

Prior to coming to the Agency, I spent my last year in the Army as an instructor at the Army's JAG School. I have been with the agency in the General Counsel's Office since 1974 except for one year in which I served as a Special Assistant to the Deputy Director in -- from 1976 to 1977.

Q And what positions have you held in the Office of General Counsel? If you could just give us the position.

A Other than as a line attorney, I have since become the Associate Deputy General Counsel for Litigation in Intelligence Community Affairs.

Q When did you take that position?

A Oh, it must have been about a year or two ago.

Q What was your position in the fall of 1985?

A At that time, I believe I was Associate General Counsel for Litigation in Intelligence Community Affairs.

We have since had a reorganization, the title has changed, but basically, my responsibilities have been the same for about the last three years or so.

Q And what were your basic responsibilities in the position you held again during the time period November 1985 through February 1986?

A Well, I supervised litigation, I supervised our dealings with other members of the intelligence community on legal issues, and I provided advice to the General Counsel on covert action matters and I reviewed the work of the at that time Counsel to the Director of Operations who is now the Associate General Counsel for the Director of Operations.

Q What is his name?

A Well, the current Associate General Counsel is George Jamison. The individual at the time was Murray Myerfeld.

Q It was Mr. Myerfeld's work you were reviewing?

A Yes.

Q Is it correct that you were the attorney at the Office of General Counsel who was most responsible for legal advice on covert action matters as a norm?

A I have to qualify that. I gave advice to the General Counsel directly. The Associate General Counsel for the Director of Operations, at that time he was commonly called the Counsel for the Director of Operations, Deputy Director of Operations, was responsible for the day-to-day advice on covert action matters and keeping abreast of what was happening in the various programs.

But whenever new proposals came up or anything that came up the sort of chain of command required the General Counsel's approval, concurrence or signature, I would review it.

Q So that you would routinely be involved in the legal advice provided with respect to new covert action findings; is that right?

A Yes.

Q And you would be the senior attorney providing that type of advice; is that right?

A Certainly one of them. The counsel to the DO was also an attorney who provided advice.

He often would participate in the drafting of findings or related documents, but when it came over to the General Counsel for his final review and approval, I would review it.

Q Turning to the November 1985 time frame, am I correct that there came a time in late November 1985 when you become aware that a new covert action finding was being drafted?

A I can't be entirely sure of the time as November of 1985. I do recall late in the year 1985 there was an occasion in which I was called into the General Counsel's Office to review a proposed finding.

I recall it happened early one morning, and I have previously described this to you when you and Neil Eggleston interviewed me.

Q Yes, and as I understand it, correct me if I am wrong, the day prior to that, there was a meeting which a number of other people have suggested that you attended. I am wondering if you could tell me your recollection of what happened on the day preceding the morning where you looked over the finding.

A I can't be entirely certain that it was the day before, because I am not sure whether the day which I was called into the General Counsel's Office was a Monday or not. It may have been Monday, in which case the previous day that I recollected would have been a Friday.

But there was a sequence of events in which two individuals from headquarters, I don't really know their names, I do believe they were from the Director of Operations, came over to brief the General Counsel, and the Deputy General Counsel on a matter that had to do with the

~~TOP SECRET~~ UNCLASSIFIED

shipment of some arms to a third country overseas.

Q When did you learn that is what these people were coming over to brief those two lawyers on?

A I cannot be entirely certain at this point whether I knew that specifically before they came over to get the briefing or whether I learned it afterwards.

Q When you say when you learned it afterwards, how much longer afterwards?

A It would have been within a matter of a day or two after that period of time. So I mean I can't be entirely certain whether at the time they came over I knew what it was for~~e~~.

I do recall that it was they were to debrief the Deputy Counsel and Deputy General Counsel on a sensitive project or a sensitive matter, and my recollection is that I was specifically asked not to attend because it was considered too sensitive.

Q Who asked you not to attend?

A It was either Stan Sporkin or Ed Dietel. I am not certain which one.

Q What time of day was it you recall being asked not to attend?

A It was late in the day, probably between five and six or somewhere there abouts. Since I was not asked to attend, my recollection is I left for the day. It was very

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shortly after that day, it was either the following day or the next day that I came into the office that I was asked to come over to the General Counsel's Office and review a document that he was ready to take over to headquarters.

I recall doing that, I recall looking at a one-page document. My recollection is that it was a proposed finding.

I don't recall any of the details of what was on the piece of paper, but I can say that I specifically do not recall there being any paragraph or sentence in the proposed finding that purported to give retroactive effect to the finding.

I know that has come up subsequently as an issue, and in fact the document that they subsequently found in the office contained such a statement.

I don't recall that. I don't ever recall seeing that until I saw the document when it was found back in, I think it was December of 1986.

[Brief recess.]

MR. CAROME: Could you read back the last question and answer?

[Whereupon, the record was read by the reporter.]

BY MR. CAROME:

Q If I can go back to this evening before you looked at the finding, proposed finding, other information seems to suggest that the morning you looked at the finding was probably Tuesday, November 26, and that -- so the evening before would have been Monday, November 25.

Is your recollection contrary to that, or would that be consistent with your recollection? I realize you may be having a difficult time placing the precise date.

A I really couldn't say. I did not make any contemporaneous memorandum for the record of the incident because at that time that particular series of events wasn't particularly out of the ordinary.

I mean there was no reason for me to make any record of it at the time, so I mean -- if you have an indication that there was a -- if you have an indication from other sources that people came over on the evening of the -- whatever you say the Monday was. The 25th --

Q Yes.

A -- and that there was another meeting at Stan's office on the 26th, I don't have any basis to indicate that that is wrong.

Q And what did you do when you were told that, not to attend the briefing, from the people at the DO and that the matter was too sensitive for you to be involved in? What did you do next?

A I didn't attend. My recollection is I went home.

Q The following morning, what time is it that you

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recall the meeting in Mr. Sporkin's office?

A You know, my recollection is it was somewhere shortly before 9:00 o'clock. I can't be certain of that.

He was -- it seemed like, my recollection is he was in a hurry to go over to headquarters, and I was called to come up to his office, this piece of paper was handed to me, I looked at it. I don't recall having any particular reaction to it, and I certainly didn't have any discussion of it with him, with Stan Sporkin.

Q Were there other attorneys present or anyone else present at that time?

A My recollection is Mike Makowka was present. I don't recall if Ed Dietel was present or not.

Q He may have been present?

A He may have been.

MR. CAROME: Could this be marked Exhibit 1, please?

[The document marked GC Exhibit No. 1 follows:]

* * * * * * * * COMMITTEE INSERT * * * * * * * *

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BY MR. CAROME:

Q I show you a document that has been marked as Exhibit 1 and ask you if you have ever seen that document before.

A I can't say that I have ever seen this specific version that you have handed to me. I have seen a version of it that appears to be identical. This appears to be the document that was found by our office in, I think December of 1986, as we tried -- as the office tried to reconstruct the events surrounding this whole incident or episode.

Q Is it possible that that is the document that was shown to you on the Monday morning in Mr. Sporkin's office?

A Yes, it is possible. It is possible.

Q Does the content of that document mesh with your recollection of what it was that you were looking at?

A I can't say. I simply can't say.

Q I show you what has been marked as Exhibit 2, a document that is stamped "Draft" at the top and appears to be a draft, a covert action finding, and I ask you the same question: Does this appear to be the document that you looked at on the morning we are speaking about in General Counsel Sporkin's office?

A It certainly would be more likely that this would be the kind of document because it is typed up in the format of a proposed finding.

I simply cannot tell you whether or not this is th version of the proposed finding that I saw that morning in Stan's office.

Q I believe the last paragraph --

A Is a little different.

Q And the last paragraph of Exhibit 2 includes reference to ratification of previous acts. Does that indicate to you that this is not the document that you looke at?

A Well, Exhibit 1 that you showed me talks specifically about ratifying all actions taken by the U.S. Government officials in furtherance of this effort.

The Exhibit 2 document basically says the same thing, it is just worded a little bit differently. I don't recall ever seeing that language until I saw this document in December -- or saw a document similar to this in December of 1986 when Bernie Makowka searched through his files and finally came up with a Mag card, which is a word processing document that was used to produce this.

To my understanding, there is no hard copy of this document in existence in our office.

Q To the best of your recollection, the proposed finding you looked at didn't include the ratification language; is that correct?

A I do not recall having this kind of ratification language.

Q Do you recall whether the document you looked at back in November 1985 referred to munitions or missiles?

A I certainly have a recollection it dealt with hostage rescue. The documents that are in front of me talk about being authorized to provide material and munitions.

I don't have a recollection now, I don't recall now that I knew that then, that I can remember then. But I do remember it dealt with hostage rescue.

Q Do you remember any reference to Iran in the document you looked at?

A I can't really say. It probably dealt with Iran. I probably would have seen that at the time that it dealt with Iran, but I can't remember it.

Q Do you recall whether it mentioned Israel?

A I do not recall it mentioned Israel. This draft you have given me does not mention Israel.

Q Do you recall whether or not again it mentioned arms of any sort or munitions or missiles?

A I can't recall. I do know that during the time period December to January, the subject of Israel came up, and that is reflected in the previous statements I gave to you. It is reflected in at least one memo for the record I wrote at the time.

Q Who did you understand to have been the drafter of the document you looked at that morning in Sporkin's office?

A I guess I understood that it was Bernie Makowka, although I can't recall whether I knew that at that time or I was advised of that or informed of that at a later time.

Q What was said by anyone at that meeting when you were looking at the proposed finding?

A I don't recall anything specifically. I think the purpose of it was Stan wanted me to take a look at it to see if I saw anything obviously wrong with it that would be a problem. That is my recollection what the purpose was of calling me up.

He often wanted to get my advice on things, and the sort of time return we were in was not conducive to giving the matter very good consideration because he was in a hurry to go over to headquarters.

I certainly would have to say that my participation at that point, for the five minutes or less I was there, was certainly pro forma.

My recollection now is I wasn't given an opportunity to really consider the document very carefully or seriously.

Q Do you recall --

A There may have been reasons for that.

[Discussion off the record.]

[Brief recess.]

BY MR. CAROME:

Q Just so that it is clear, Mr. Clarke, you have a firm recollection that you did not attend a meeting that immediately followed a briefing of Mr. Sporkin and Mr. Dietel by DO personnel on flights that had taken place in support of moving arms to Iran; is that correct?

A I don't have any recollection of that. If you have any information from anyone else that indicates that I was at such a meeting, if you could give me that information, it may refresh my recollection.

I don't have any recollection of being at a meeting following this briefing that Sporkin and Dietel got.

Q As I understand it, at various points, Mr. Makowka and Mr. Dietel, and I am not sure, but I believe also Mr. Sporkin, have a recollection that you attended such a meeting.

I gather that your recollection is different from that; is that right?

A It certainly is. I don't recall being at a meeting immediately following this briefing that I was given.

Q And your first recollection of any talk about this finding that seems to be embodied at least in idea form in Exhibits 1 and 2 is a morning meeting with Mr. Sporkin at which a draft finding had already been prepared.

Is that right?

A Well, as I said, as I previously said, I cannot be actually certain at this point in time that this is what the meeting in Sporkin's office was about.

I cannot be certain that it was about this finding. As I previously mentioned to you, there was at least one other finding that my recollection is Makowka was involved in working on.

It was a proposed finding on the subject of hostage rescue or counterterrorism generally. I don't have a recollection as to which of the two it was.

Q But you do have a recollection of being in a meeting one morning in which a proposed finding was discussed; is that right?

A Yes, a proposed finding was shown to me and my recollection is the purposes were what do you think, do you see any problems?

Whether it was this finding or some other finding [redacted]

I don't recall.

[redacted]

[redacted]

[redacted]

Q And you saw a draft finding on that subject as well?

A I think it is likely that I did. Whether or not I saw that before this particular meeting you are referring to or whether or not that was the finding that was discussed at this particular meeting, I can't remember.

This thing was not -- the development of this paper that you have got in front of you that you have given me, Exhibit 2, was not something that I participated in drafting. I would remember that if I did.

Q But you do recall looking at a finding that dealt [redacted]

A Yes.

But I do not recall any of the details that is in this document marked Exhibit 2.

Q Do you recall whether or not the draft finding you looked at on that morning contained alternative paragraphs about whether or not Congress ought to be notified?

A I don't recall reading any alternative paragraphs.

Q Do you recall any discussion at that meeting on the subject of notification of Congress?

A No, but it is entirely possible that -- and indeed even likely if we discussed it -- there would have been such discussion, but I can't say because I don't recall much discussion at that meeting. I recall it being very brief.

Q You say that you would have recalled seeing a paragraph on retroactiveness of a finding because that would have been something that would have jumped out at you; is that right? That would have been unusual?

A I certainly think that I would recall it if I had seen it at the time, because we -- to my recollection, we had not ever used that concept before in all the experience I have had with covert action findings.

Indeed, I don't recall any instances where there would have ever been a need to ratify something that had been done, because the normal practice was to get -- is to get findings before you do things.

Indeed, it is my opinion that the law requires you to get a finding for CIA to do the kinds of things that are covered by the House Iranian amendment.

Q And that it be done in advance of the activity?

A That is right. An attorney who works for me has written two subsequent opinions on the subject.

Q Which attorney is that?

A One who is no longer with the office [redacted]

Q And since November 1985 or so, he has written two opinions?

A Yes. He wrote them at my direction.

Q And the conclusion of those opinions was what?

A That absent -- in the absence of a finding, we do not have authority to do the kinds of activities that require a finding and that a ratification, a so-called ratification is not sufficient to cure the requirement in the statute which requires the President to make a finding in advance of CIA activity.

The statute reads, "Unless and until the President finds," so the statute reads we may not expend funds unless and until the President finds that our activities are important to the national security.

Q Did you ever have an opportunity and did you ever discuss with Mr. Sporkin what he was trying to do by including the ratification clause in the November finding?

A After this document surfaced and I became aware of it, and I recall I became aware of it in December 1986, I had at least one meeting with Stan at which this could have been discussed. I had at least one phone conversation in which you think it was likely we discussed it, yes, and there was discussion of what was intended to be accomplished.

Q What did Mr. Sporkin say about what was intended to be accomplished?

A My recollection is he said what we were trying to accomplish by that was to really just get the President's approval for what had been done or to get his acceptance of any actions that had been taken prior to the formal signing of the finding.

MR. CAROME: Off the record a second.

[Discussion off the record.]

BY MR. CAROME:

Q Did there ever come a time when you knew that the finding, the draft finding you had looked at at the morning meeting we have been discussing, whether or not that finding was ever signed.

A When this thing got going in November and December of 1986 and they found this document, I was present at meetings at which Bernie Makowka acknowledged that he helped draft the finding or had some association with the drafting of it at which he said that it had been -- that he had received word from Oliver North that the finding had been signed and that by this Bernie took it to mean this particular finding that he, Bernie, had worked on because that was the only one Bernie had ever discussed with him or had ever had any dealings with Oliver North on.

According to Bernie Makowka, he said Ollie North said yes, the findings were signed and it is in my safe in case anything happens to me or something to that effect.

Q As of any time in late 1985 or early 1986, did you have any indication from anyone that the finding you had looked at had been signed?

A In early 1986, I became aware that a finding had been signed. I don't know, I do not know, I certainly didn't know then, what the finding was.

I heard about it in the office from either Stan or someone else, and since I generally had some responsibility for reviewing these kinds of matters and knowing what was going on from a legal standpoint, I urged, certainly urged Ed Dietel, and I may have urged Stan, to get a copy of the findings so we could see what was intended to be authorized.

Q And did you understand that finding to involve support for arms shipments to Iran?

A I think so. I think so. I knew there was a finding that authorized us to, I believe, ship arms in order to help get some hostages released.

I was concerned because it is hard to give advice on what they are supposed to be doing unless we see the underlying documents that covers the authority.

Q If we could go back to November 1985, after the session when you were shown a draft finding, was there any further discussion at all that you were a part of about the draft you had looked at?

A Not that I recall.

Q Do you recall a few days after you looked at the draft finding that Ed Dietel said something to you about the fact that there may have been some CIA involvement on the matter that the finding related to?

A Well, my recollection is that during that time period, there was some general discussion about [redacted] what we could do to help get the hostages out, and at some point in that period in late November through December to early January of 1986, the subject came up of shipping missiles.

I believe missiles to Iran.

And at one point, it was missiles that Israel had that would go to Iran. And there was -- I asked -- there was discussion I had with Ed Dietel about his office and he said to me they have already shipped some or some have alread been shipped.

Q Do you know when that discussion took place?

A I can't say whether the discussion was in December. My guess is that it would probably be in December, sometime in December 1985.

Q Do you recall whether it was early or late December?

A I can't recall.

Q Do you have any recollection about a flight by a CIA Proprietary Airline to Iran in early November, prior to the shipment of HAWKS in late November?

A All I know about that is what I have subsequently read in the Tower Commission report, papers, subsequent internal chronologies that have been produced at the agency. I didn't have any knowledge of that at the time.

Q No knowledge of a Proprietary flight? It might have been unrelated to arms shipments from Israel, but --

[redacted]

[redacted] My recollection is that it was disapproved.

There was some discussion of it. Murray Myerfeld, I believe, was involved in that and it was not approved. I don't recall, but that -- I think that was earlier than November.

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q Earlier than November 1985?

A Yes, I don't recall anything about a shipment of HAWKS or TOWS from Israel to Tehran in November 1985. I never was aware of that until subsequent events.

Q On this [redacted] were you involved in the legal advice being given on that subject?

A Well, I can't recall at this point. I found out about it at the time, I think, Ernie Myerfeld called me and discussed it with me. [redacted] my recollection is it was not approved.

Q Do you know why it was not approved?

A I don't recall.

Q Do you know why it was that Mr. Makowka was tasked to draft that finding in late November rather than you?

A No, I do not.

Q Have you ever spoken about that with Mr. Madkowka?

A I don't really think I have. I don't think so.

Q Have you ever spoken about it with Mr. Sporkin?

A No, I don't think so.

Q Is it correct, that in late 1985 and early 1986,

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Mr. Sporkin was asking you if there were any legal restrictions on transfers of arms to foreign countries?

A Yes, that subject came up.

Q Do you remember when it first came up?

A Well, we had an occasion to locate it in connection with [redacted]

Q Do you recall when it specifically came up, when the recipient country for the arms was to be Iran?

A I really couldn't pin it down other than to say it was probably some time in late December or early January. You have got -- I know the committee has got a copy of a document which an attorney who worked for me prepared 6 January 1986, in which this issue is discussed.

Q I want to get to that. I am trying to pin down if there were any dicussions prior to that January 6 memo?

A I think there probably were. I can't recall specifically, but my guess is there probably were.

Q And what type of transactions did you understand was being contemplated at that point?

A Well, I can't say exactly when I got the information but my recollection is that some time in this period the first time this sort of thing was approached to me, I distinctly recall it being that they were going to be some missiles that were going to be provided to Iran. They would be provided from Israel and that the Israeli stock of these

jm 3

particular missiles which were TOWS, would then be replenished with some newer stock, newer DOD, either new model or more recently produced models, more recent versions of the same model.

Q Who told you that?

A Well, I can't say specifically. I think it would have been in some meeting or discussion I had when Stan was present, Stan Sporkin was present at.

Q And as best you can figure, that is probably some time in late December that that discussion took place?

A Late December or very early January of 1986.

Q During that very first or very initial discussion or discussions, was there any discussion at that point about whether or not these contemplated transactions would be reported to Congress, to your knowledge?

A I don't recall specifically when that subject was discussed. I think I can say it is likely it was discussed because we, the attorneys who were looking at this, were concerned about the applicability of several statutes that applied to weapons that had already been provided to a third country or to Israel under the foreign assistance act, or other applicable statutes. And the reason that this thing sticks out in my mind as being unusual is that I don't recall we ever, CIA, ever can be involved in covert weapons actions, transfers that involved taking countries im 4

existing stock of weapons that were supplied or provided under the foreign assistance act and sending those over and then giving them a newer model or of the same model.

Q One problem---

A My recollection is that we advised Stan, we were running into some problems here, if this is the way somebody wants to do something, because we have the other statutes that seem to apply.

Q What was the problem with the other statutes?

A Other statutes seemed to require specific approvals by the President and specific reporting requirements to Congress which we don't, CIA doesn't normally deal with. Those are things that DOD normally deals with.

Q Was it your understanding at that point this was a transaction or group of transactions that Mr. Sporkin did not want to have reported to Congress?

A I wouldn't say that it was something Mr. Sporkin didn't want to have reported to Congress. I would say it was something that raised a question, by recollection is the sensitivity of what was under discussion. You have to understand as this thing developed from December into January, we the attorneys who were working on this, and attorneys who worked for me, were only given bits and pieces of information. We don't have anything called a big picture. We were told to look at some statutes, to what statutes applied to arms transfers to third countries and so on, and so forth, and it was only as the thing developed that I got more and more information that Iran was involved and Israel was involved, and those words came up, those countries came up.

But I don't recall anything that Stan Sporkin said that indicated that he personally didn't want there to be any reporting.

Q Do you recall that at least, perhaps, Director Casey may not have wanted there to be reporting of this?

A Well, I don't recall that specifically. I will say that whenever we considered covert actions programs and matters, we have always maintained that in certain sensitive kinds of situations the President has the prerogative to withhold notification from Congress. I was present and I was involved in drafting of, and the consideration on the agency's part of the oversight provisions that are now in the National Security Act, and I know that to be the case because I was working for Dan Silver who was the Administration sort of point man on that legislation at the time it was drafted, and it was very clear to everyone who was involved in drafting that that the Executive Branch was making a claim that in appropriate circumstances the President could withhold notification to Congress.

So when these covert actions matters get considered, our clients at the agency, the director and the DDO, also, we always usually consider or at least they usually considered whether or not this is so sensitive that notification should be withheld from Congress, and that gets considered ultimately is the call that has to be made by the White House.

We at least consider it initially.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. FEIN:

Q Could I interject one point.

Isn't the discussion not whether to inform Congress but whether it shall be prior informing before the activity concludes?

A That is correct.

Q Or when the informing will occur after the project is completed, and it is rather misleading to ask the question about whether or not there will be contemplation of informing Congress or not when really the question is one of timing, not whether or not it will be done?

A That is absolutely right. The issue is at what point the notification will be made. Generally, the notification is made prior because we notify significant anticipated intelligence activities which by statutes covert actions are.

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q I don't intend to try to debate here at all the law surrounding when notification shall be given; I am trying to get at the facts.

A Sure. The discussion is my recollection we have never discussed the permanent withholding of notification of Congress, it is always, whenever there is discussion of when the notification will be made, the issue is when you are going make it, before the activity is underway or after the activity has been safely accomplished?

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. FEIN:

Q Just ~~as~~ ~~a~~ one modest amplification then of your statement. It would be true then, Mr. Clarke, that you in your experience at the agency had never encountered discussions about withholding permanently special activities from Congress, there was no sense that the agency would do these things in an under-a-cloak that would vanish into the black hole of history?

A Well, there was never any serious discussion in connection with any covert action proposal, that I have been aware of, of permanently withholding of notification.

There has been on occasion some theoretical discussion, amongst some attorneys in our office, as to when timely

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notification under 5019B) might in some theoretical and unusual circumstance permit extended withholding of notification. That has never been a practical consideration in any covert action program that I have been aware of.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q Mark this 3.

(The following document was marked as Exhibit GC-3 for identification:)

COMMITTEE INSERT

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Q You mentioned before, as initially described to you, the transaction was to involve the shipment of TOW missiles from Israel and the sending of newer TOW missiles from the United States to Israel; is that correct?

A That is my recollection of sort of a general proposal that was being made.

Q Was there any discussion on the shipment of HAWK missiles that you recall?

A No, the first time I have heard of HAWK missiles being involved in this was in the November or December 1986 time frame. At the time the only thing I ever heard was TOW missiles.

Q Did you ever gave a sense that the objective of this transaction was to upgrade the Israeli stock?

A At one point in time, I can't say how accurate my recollection is, but at one point in time, I recall being concerned that the sole objective of what was being proposed -- you have to understand, the attorneys working for me were not being given facts, we were being told to consider this, consider that. I recall being concerned at one point in time because I thought the whole purpose of what was being proposed was to upgrade Israeli stock of TOW missiles to get rid of some older stock that might only have 50 percent fire rate and get newer ones in; that sort of bothered me.

Q Why did that bother you?

A It didn't sound like the kind of thing we would traditionally do as a covert action program.

Q Why not?

A Well, I am not sure what the foreign policy objective is behind that and why it would be important to the national security that CIA do that sort of thing covertly when it could be done in a covert way through the foreign assistance act.

Q Was that concern at all part of the reason that you asked one of your attorneys to look into the implications of transfers under the arms export control laws?

A It could have been. I have to say I don't really recall specifically why Betty Ann Smith was asked to do the memo she did on 6 January, other than that we were considering these kinds of issues.

Q Let me just hand you, Mr. Clarke, what has been marked as Exhibit 3. I believe this is Betty Ann Smith's memo that you are referring to; does that seem to be what that is?

A Yes.

Q And am I right that you asked Betty Ann Smith to prepare this memorandum at some point?

A If I didn't ask her personally -- I mean it was I told her that General Counsel asked us to look into this.

I don't recall specifically what was said to her.

Q Do you recall when it was that that would have been requested?

A It would have been very early in January of 1986 although we had asked her, I had asked her at some point previously within the previous year to do some general research into the statutes applicable to arms transfers so we could have a more comprehensive understanding of the whole landscape, so to speak.

She did some research in that area. But my recollection is that this one specifically was probably, I probably asked her to do it in late December or early January.

Q Was this memorandum prepared with an eye toward the contemplated transaction of sending arms to Iran?

A You have to understand at the time she was asked to prepare this, my recollection is neither I nor certainly not Betty Ann Smith had any of the details as to what was being proposed and what specifically was under consideration. That only "let's take a look at statutes that are applicable to arms transfers" and it could have been specifically because my initial impression was that there was going to be a sort of rotating of third country's stock of some TOW missiles, specifically Israelis, and we had to look into that to see if there was any problems.

Q The document starts out with a reference to a question that has arisen under what circumstance recipients of U.S. foreign military assistance can transfer military equipment provided through the foreign assistance act to a third country. Do you know if the third country being referred to there is Iran?

A Well, certainly I think it is logical to assume in light of subsequent events that that must have been the country. Whether or not we or I specifically knew that at the time this was prepared, I can't say at this point.

At some point I became aware that we were talking about Iran because the memo that I wrote for the record on January 15 specifically indicated that we had been considering transferring stuff to Iran. At some point my knowledge of the thing increased.

Q Do you know why this memorandum was not signed?

A I don't know. I thought about that. I don't really know. It might have been, it could have been one explanation is that it could have been that she didn't sign it because it had not been firmly reviewed by me.

Usually we don't sign things and put them in final until the senior attorney who has asked for it, has had a chance to review it to make sure all appropriate points are covered. That would be the reason.

Maybe Betty Ann Smith would know why she didn't sign it.

Q Do you recall reviewing that memorandum in around

January 6.

A I recall seeing it. I don't recall to what extent I reviewed it or asked her to do either more research or to change anything. I don't recall that.

Q Around this point in time, perhaps even a few days earlier than January 6, it appears that two other CIA attorneys, Mr. Rosman and Mr. Cole, were working on another draft finding involving the support for the sending of arms to Iran. Were you at this time in early January, at all aware of that?

A Absolutely no knowledge.

Q The first time I heard about that was in either December of 1986 or January of 1987, that in fact, these two attorneys who work for Makowka had been working on the finding.

Q Did it surprise you that these other two attorneys were working on the financing?

A I don't know if it surprised me, I guess a little bit, yes. I guess it surprised me I didn't know about it.

Q Can this be marked as the next exhibit, I believe Exhibit 4.

(The following document was marked as Exhibit GC-4 for identification:]

COMMITTEE INSERT

Q Mr. Clarke, I show you what has been marked as Exhibit 4 to this deposition, and ask if you could tell me what that is?

A It is a memorandum that was prepared in draft for Stan Sporkin. The date is not clear at the top, but I think it is dated, 7 January of 1986. On this copy the date is not clear. I brought a copy, I think.

No, I didn't bring it with me, but I have looked at it recently. I think the date is 7 January.

Q I believe that is correct. We have better copies to show it to be dated the 7th.

A It was prepared either by George Jamison or me or both of us jointly, together, to Stan Sporkin.

Q If the date of that memorandum is the 7th, do you know when the preparation of that would have been begun?

A Well, it certainly could have been on the 7th. It could have been prior but it wouldn't surprise me if it was o the 7th.

Q And whose idea was it that that be prepared?

A I guess I can only say Stan must have asked us to do it. I mean I could have decided to do it on my own but I don't recall that I did that.

Q Do you know who provided you with the information in the first paragraph concerning the nature

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to have financial under discussion, were does that language come from, do you know?

A I don't have a recollection of it right now. My guess is it came from information that was provided to me in meetings that I had with Stan, that I had or George Jamison.

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Q At this point there is a finding that is referred to in the first paragraph. Do you know what the status is of the finding on this subject at this point in time, meaning January 7th '86 or thereabouts?

A You want, to show me which findingyou are referring to?

Q There is a reference in the second line to a finding. It may be that that is speaking hypothetically.

A I would certainly take that to mean prospectively. I believe there is sufficient legal authority to support a covert action finding that would result in a transfer over. If there was already a finding I don't, if I already knew of a finding, I wouldn't be writing a memo that started out that way, I don't believe.

Q The first paragraph refers to the transfer of equipment under the Economy Act. Do you know where the idea of using the Economy Act in this sort of transaction grew up from?

A It is a concept that we have used for a long time, for a number of years. We can get equipment we need for our covert action programs from DoD under the Economy Act, and we have written prior opinions in the office about it.

BY MR. CAROME:

Q Paragraph 3 refers to a problem that could arise if the equipment to be transferred constituted arms, the U.S. provide to a second country through the Foreign Assistance Arms Export Control Act.

Do you know why that subject was addressed here?

A Well, at this point I can only surmise it is because I had information that indicated that some of the missiles or weapons that were going to be provided to Iran were those which had already been provided to Israel under the Foreign Assistance Act, and we wanted to flag that problem because of the separate reporting requirement and approval requirement that applied to weapons covered by those statutes.

Q At this point was it clear to you that there would not be reporting, prior reporting of this action, that there is a desire there not be prior reporting of this transaction that is contemplated here in this memo.

A No.

Q Had at this point Mr. Sporkin said anything to you about the sensitivity of the initiative under discussion here?

A Had he said anything to me about the sensitivity of it? I think I would have to say I would have to say that I would have thought it would be very sensitive since it was being handled in such a way that the information about it was coming out in dribs and drabs. Plus I think I knew at the time that he was having discussions with Ollie North about this subject.

Q You knew this as of January 7?

A I believe I knew it sometime in January.

Q It could have been as early as January 7 that you were aware of that.

A Yes, and at some time during this period I become aware that there already was a finding that had been signed. It was at that point in time that I started to ask certainly Ed Dietel, and I know I asked Ed, we have to get a copy of this, you either have Stan get a copy or you have got to get a copy from somebody down in the NSC staff, and I don't recall whether I ever said that directly to Stan but certainly to Ed.

Q What was the reply when you said that?

A Ed agreed.

Q And was it unusual for there to be a signed finding that CIA did not have a copy of?

A Yes, I would have to say so. I think that probably there may have been at least one or two earlier occasions where, I cannot say for certain that I know of any earlier occasions where we didn't get a copy of the findings.

Q This much have been unprecedented?

A Yes, it certainly was unusual.

Q And do you know why it was that matter was being handled in that fashion?

A I don't. I can only surmise because everybody considered it to be sensitive. It dealt in part with the rescue of hostages and so there was a need certainly, a certain need for security, added security precautions.

I can only surmise that.

Q And the way that Mr. Sporkin seemed to be handling this was unusual in your experience in the fact that only small pieces of information were being given out, is that right, to the attorneys working on it?

A Yes, we don't usually do things that way.

Q The second page at the top of this January 7th memorandum, which is Exhibit 4, refers to a recent statute on the subject of reporting of weapons transfers in excess of $1 million. Do you know why that was included in this memorandum?

A I mean it is a -- I really can't say except that it's a statute that is on the books and something that we at least thought was worth mentioning because of potential applicability. I can't emphasize enough that as this thing was being developed since we weren't sort of getting all the information that we thought we needed, we started to throw out everything we thought could possibly be applicable and I guess I finally made my frustration with that way of proceeding known when I wrote the memorandum I wrote on the 15th in which I finally told Stan when he called me by phone since I wasn't getting all the information I wasn't going to give him a legal opinion over the phone, what he wanted to do was okay. That's very straightforward. I told him that at the time.

Q At this time in early January you were advocating following the Economy Act route in handling these transactions, is that right?

A Well, I don't know whether we were advocating it. I think we said that was one way that we could do it. This is the traditional way we would do it, we did it, we could do these kind of things.

Q Was it your understanding at the time that if the Economy Act route was followed that you would not have to worry about reporting requirements under the Arms Export Control Act or the Foreign Assistance Act?

A Well, my recollection is that -- I think it is my opinion that those acts only apply to weapons and material that is transferred under those acts. So that if we get equipment and weapons from DoD under the Economy Act those acts don't cover the particular weapons and equipment that we acquire.

Q Therefore, the reporting aspects of those m6 statutes would be irrelevant to the transaction.

A Those reporting requirements -- they are inherent in those acts would be irrelevant to what we did with the weapons.

Providing we got the equipment from DoD under the Economy Act.

Q Referring again to the $1 million transfer statute that is referred to in paragraph 4 of this memorandum, is it your understanding or was it at the time your understanding that the $1 million figure was a figure that applied to any given transaction as opposed to any given item of munitions or weapons?

A I don't recall what our thinking was at the time. We were sort of flagging this. I don't know that we were really attempting to give him specific advice that applied to any specific transaction or any specific piece of equipment.

Q Do you know if at that time you or your office had a position on what the $1 million applied to, namely, was it for weapons, was it for transfer?

A I don't recall if we had a position at the time. We probably did but I just don't recall, beside I mean that really, I have got to tell you that is not the only determining factor that would be applicable to figuring out whether that provision applied, because it's

m7

been the office's position that whether or not you have to report because of that specific reporting requirement, the $1 million requirement, is dependent upon and consistent with what is decided with respect to the overall covert action, so that if you had a case where the President decided to withhold notification of the activity, that the $1 million equipment reporting provision would not force us or require the President to report something that he had previously held initially would be withheld from prior notification.

I am sorry that is a long, complicated way of saying what I intended to say. Did you understand?

Q Yes.

In that situation, where there has been, let's speak hypothetically for a minute, where there has been a covert action finding that the President has directed the Director not to report to the Congress, then there is a weapons transfer contemplated that would in normal circumstances trigger $1 million requirement of the statute, what would be done then?

A There would be no additional reporting. There would be no reporting as a result of the $1 million weapons provision and the legislative history to that provision recognizes that potentially you could have a problem if the President directed that initial finding be withheld, the notification, prior notification be withheld, that this provision would not, should not be allowed to undo his decision and require the reporting of this transfer of a piece of equipment.

Q Would it be the opposite of General Counsel's position, was at the time that there would be a need to go back to the President and reconfirm the fact that there should not be reporting when this $1 million transfer issue came up? Do you know if that question was faced?

A I don't think that question was ever addressed at the time.

Q Do you have an opinion as to how that situation should be addressed?

A I don't know if the purpose of the covert action was such that it contemplated weapons transfers. I don't think we would have to go back and get his separate approval just because the weapons exceeded $1 million. That would be my view, I believe.

If the particular kind of program only contemplated a small level of assistance, and then all of a sudden we dramatically increased tenfold level of assistance so it got to be over $100 million, then we would probably consider that to be significant and would probably go back and get his separate approval.

Q Would you mark this as the next exhibit.

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m9 [The document marked Exhibit No. 5 follows:]

********COMMITTEE INSERT********

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BY MR. CAROME:

Q Mr. Clarke, I show what has been marked as Exhibit 5 and just state that it appears to be the same as the last two pages of Exhibit 4, except for a typed notation up in the top corner that says "Destroy When Complete", and first I ask you to look at that if you would like to.

A Yes.

Q Do you recall the notation "Destroy When Complete" being typed in the corner?

A No, I don't recall that.

Q You don't recall having typed it yourself or directing your secretary to do that?

A No.

Q Do you know if there were any later drafts prepared, of this memorandum?

A I don't know. I do know that I have never been able to locate a signed copy of this and my recollection is that I never signed it because I never considered it to be a complete and final product, and the reason I think that it was never completed and put in final is that things simply moved too fast and it might not be important for Stan to have a signed thing.

He just wanted to see what our research showed and what our thoughts were and, as I said, I think

George Jameson could have done some of the drafting of this memo even though it is from me.

Q Is it possible?

A Although I recall some of the language so I think I assisted in drafting it.

Q Is it possible that what we have here as something still marked a working copy could have been the product of editing done after January 7 or do you recollect that?

A I think that would have been unlikely, very unlikely. You mean to edit it after Janu~~a~~ary 7 and still date it January 7?

Q Yes.

A I think it would be unlikely.

Q Mark this as the next exhibit.

[The document marked Exhibit No. 6 follows:]

********COMMITTEE INSERT********

BY MR. CAROME:

Q Referring back again to Exhibit 4 and 5, do you recall that this memorandum was, that you provide this memorandum to Mr. Sporkin?

A I don't have any specific recollection of handing it to him. I think it is likely that he saw it.

Q Did he ever tell you his reaction to the memorandum?

A Not that I recall.

Q I show you what has been marked as Exhibit 6 and ask if you recall that that is one of the attachments to your January 7th memorandum?

A One second.

What was the last question you asked me before this question?

[The previous question was read by Reporter.]

THE WITNESS: Before I answer that question as to whether this was one of the attachments to my January 7 draft memo, the 6 January memo, which is marked your Exhibit 4 and 5, was in the package of materials that George Jameson and I prepared for Stan to use in briefing the Director and in going to a meeting that I understand he was going to go to at some point down at the White House on the subject of this finding.

Because we prepared a package of materials which

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had a bunch of tabs to it, which are listed, as a matter of fact. They are listed in your memo there, in the draft memo I did dated 7 January and it refers to Tab A, Tab B, Tab C, Tab D and Tab E. So, I think that Stan did get the memorandum.

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Q When did you think he received it?

A I can't say exactly.

Q But you understand that this was something that was given to him for purposes of preparing him for a meeting at the White House; is that right?

A Well, it was to prepare him for whatever meetings he was going to have on this subject. I don't know. I specifically knew at the time it was for a meeting at the White House. I know he did go to a meeting, at least one meeting, and maybe more down at the White House.

Q Referring again to Exhibit 6, I believe that is one of the attachments to your January 7th memorandum; is that correct?

A It was under Tab B. There was a cover note, a cover memo on top of that that Stan sent to the Director, Deputy Director.

Q Are you looking at it?

A Yes.

Q At the cover memo?

A Yes.

Q May I see that?

A Sure.

Q What you are referring to is dated January 7, 1983.

A Yes, it has OGC Number 83-00175.

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Q Okay.

A The memorandum you are referring to is--

Q Is the next number.

A Yes.

Q This exhibit 6 refers to a question of military transfer to Iran. Is that correct?

A Yes.

Q Do you have any idea what was being contemplated to be transferred to Iran at this point in time, January '83?

A Well, I can only assume -- January '83 -- let's see I really couldn't say for sure.

[redacted]

Q Do you have a recollection of that?

A Well, I know that we have -- those things were considered in the past.

Q That's all I have on that.

Could you mark this as the next exhibit?

(The document referred to was marked as Exhibit GC-7 for identification.)

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BY MR. CAROME:

Q Mr. Clarke, I show you what has been marked as Exhibit 7 and ask if this is also one of the items that was included with your January 7th, 1986 memorandum.

A Yes, it is.

Q And that is an opinion of the Attorney General, is it?

A Yes.

Q On the subject of weapons transfer under the Economy Act.

A Yes.

Q And there is a reference in that opinion to a specific reporting statute; is that correct, a statute that pertains to reports to Congress of weapons transfers?

A Yes, that is right.

Q Do you know whether or not that particular statute was a subject of the discussions that were going on in the office of General Counsel in early January pertaining to the Iran arms transactions.

A My recollection is that it was, but I am not sure that we wrote anything that specifically addressed 10 U.S. C. 133 note.

Q Do you know what it --

A I don't recall it off the top of my head.

Q You don't recall?

A I don't.

Q What the nature of the discussion was.

A No, I don't recall -- well, I just recall it coming up. I don't recall what the nature of the discussion was to consider or resolve that statute or resolve questions about the statute. I don't recall specific off the top of my head what the statute specifically provides for without having it in front of me. Let me see.

Q I am not sure that that is necessary.

A I am curious now. I don't like to see statutes that I don't recall in this area.

Is it correct that you do not recall during this January 1986 timeframe seeing any findings either draft or final or signed or unsigned, dated in the first week or so of January?

A I do not recall seeing any finding dated in the first week of January until much later, like in December of '86, January of '87 when we finally started to get more information about what had really been going on in this time period. That was this first time I saw the January 6th finding, I believe it is.

MR. CAROME: Mark this as the next exhibit.

(The document referred to was marked as Exhibit GC-8 for identification.)

BY MR. CAROME:

Q In addition to not seeing findings from that first week of January period, you did not have any awareness that there were any activities going on to draft such things; is that correct?

A I did not have any awareness. I was not aware there was any activities going on to draft such a finding. As I said previously, I became aware at some point that there was a finding that had been signed and that is when I urged Ed Dietel and, I think, Stan to get us a copy because I heard that there was only one copy, and they were keeping it down at the White House.

Q This must have been as early as January 6 or 7.

A It might have been.

Q I show you what has been marked as Exhibit 8. I am not sure you would have seen this document. I ask you have you ever seen that document before. It is a one-page memorandum that says DCI in the upper right-hand corner, and is dated January 13, 1986.

A I have seen this recently, within the past three or four months. I have seen it after this whole thing became a subject of investigation.

Q Do you recall seeing it back in January of '86.

A No.

Q In the first paragraph there is a reference to

Sporkin's legal analysis, and it is two options. I ask you to read that first paragraph and tell me whether or not you recall those two options being under consideration at the time in January of 1986.

A I guess I recall there being some mention of that and my recollection is that-- my recollection is that we felt that there were problems under the applicable statutes for the weapons to be transferred directly from the Israelis, but I never saw this memo. I never saw this memo at the time.

I first saw this memo within the past two or three months when documents were being collected for this query.

Q And what were the two options as you understand them to be that were under discussion.

A Well, one, to do it in the same way that is going to involve DOD directly assisting or authorizing some weapons to be transferred from Israel to Iran, and the other for us to be involved in some kind of traditional covert action way.

Q And which of those two options did you favor at the time?

A I favored the second because I was concerned about the statutes that required approvals and reporting and reporting to Congress under those statutes of retransfers of weapons given to countries under the Foreign Assistance Act.

Q Paragraph 2 of this Exhibit 8 refers to questions about when Israel had enough money to purchase TOWs under a particular option. Do you recall any discussions that you participated in or heard about on that subject at that time?

A No, absolutely none.

Q Do you recall any discussions in that early January time frame about the cost of TOWs or the cost of any weapons that you participated in?

A Not really.

Q When you say not really--

A There have been some mentions of cost, but I don't recall any figures. I don't recall any details of the discussion.

Q Do you know who?

A Value. There may have been some discussion of what the value of these were, but I don't recall that.

Q And do you recall who it was that was talking about the question of value of the weapons?

A No, I don't.

Q And in this January time frame what is it that you understand is to be shipped to Iran are TOW missiles; is that right?

A Yes.

Q Mark this as Exhibit 9, please.

(The document referred to was marked Exhibit GC-9 for identification.)

BY MR. CAROME:

Q Mr. Clarke, I show what has been marked as Exhibit 9. I believe it is a memorandum that you wrote.

A Yes.

Q And I ask if you could just briefly tell me what that is.

A It is a memorandum for the record that I did based on a phone conversation or phone call I received from Stan Sporkin on the 15th of January '86. I started the drafting of it and did probably most of the drafting [illegible] the same day I received the call, which was 15 January '86.

I think I probably finished the drafting of it and I signed it on the 11th of March 1986.

Q Does this time up in the upper right-hand corner; is that the time of the phone call?

A Yes.

Q Is it also the time that you are writing the memorandum, roughly?

A Yes, for some reason I decided to do the memo for the record immediately after getting the phone call.

Q What did Mr. Sporkin say to you in that phone call?

A Well, I really can't specifically remember at this point in time other than what I have got set out in the memo here -- he called me, called me to discuss some options or ways of accomplishing a transfer of weapons. The first paragraph, I think, is accurate as to what I recalled him asking about and the second paragraph is accurate in what I told him.

I told him I felt uncomfortable with what was being proposed and once again as reflected in paragraph 2, it gets back to that initial theme that I was concerned about about rotating Israeli stocks of weapons, and I think this is an accurate reflection of what I said, and did at the time to the best I can recall it right now.

Q Did Mr. North come on the telephone at some point during that January 15 phone call from Sporkin.

A Yes, he did.

Q Did you understand that Mr. North was in the same place, same office as Mr. Sporkin?

A I certainly did. He said let me put Ollie on.

Q Do you know where it was they were calling from?

A I surmised it was from Ollie's office down at NSC staff at the White House, but I can't be certain about that. They could have been calling anyplace that had a secure line.

Q They were calling on a secure line?

A Absolutely.

Q Yet Mr. Sporkin seemed to be reluctant to provide you with the facts of the contemplated proposal; is that right?

A Well, he certainly wasn't giving me many specific facts. I think I made reference to that in here some place.

Q It may be the top of the second page.

A Yes.

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BY MR. CAROME:

Q What did you understand Mr. Sporkin to be referring to when he referred to an agent or a middleman?

A Just that, that there would be somebody out there who would really be sort of conducting the deal, putting the deal together, really making the whole thing work, but it wasn't really going to be our guy. In light of subsequent events, we all probably know it is probably General Secord, but that is also surmise on my part. I don't know if they had any idea how it was going to work.

Q Did Mr. Secord's name come up at all during this conversation?

A No, it did not. Mr. Secord's name came up subsequent to this time, a time which I mentioned to you before, Stan Sporkin called me and said he was leaving and said I was going to have to follow this thing from here on. He gave me a briefing and told me to go to a meeting they were going to have at headquarters about this. That is the first time I ever heard his name mentioned.

Q You hadn't heard General Secord's name mentioned back in November either, is that right?

A No.

Q There is a parenthetical group of sentences in paragraph 2 that talk about consideration since January 10 of a proposal to provide missiles to Israel that would, in part, be to secure the return of U.S. citizens held by or under the control of Iran. Do you know what you were referring to in those parenthetical sentences?

A Only what's reflected there.

Q Did you understand at this point that there had been a finding on this subject signed at the time you were writing this memorandum?

A I had, as I have said before, I had information that there was a finding that had been signed. I had never seen it, I had urged that we get a copy of it to find out what was going on and what was intended to be authorized, and that's the only thing I can figure out these couple of sentences refer to.

As it turns out, the dates are obviously wrong, because we now know the first finding was dated 6 January, '86. And my sentence here says according to the general counsel, this activity was authorized by a signed Presidential finding which he worked out with Oliver North on 10 to 11 January, '86.

So somehow the dates got wrong, but it confirms what I previously remembered, which is that I heard there was a finding, and I said we ought to take a look at the thing.

Now, at some point, I think it was sometime after January, George Jamison, who worked for me at the time and still works for me, went down to the White House and looked at it. You can get from him when he first saw the finding. It may have been after the January 17 finding. It may be George never saw the 6 January finding. It may have been when he went down there, he was shown the 17 January finding.

Q In the telephone conversation with Mr. Sporkin and Mr. North, did either of them mention Iran or Israel?

A No. My recollection is they were careful to talk around the countries. And I remember being a little bit confused at the time and not being really sure what the hell anybody was talking about, [redacted] It is my recollection they didn't tell me the countries.

Q Did either Mr. Sporkin or Mr. North, on this phone call, tell you why it was they wouldn't explain the facts of the situation they had under consideration?

A No, no.

Q Do you know what it is that caused you to go back two months or so later and sign this document?

A Well, the only thing I can recall is that I did a draft at the time, and just because I had a lot of other things to do, this wasn't really a high priority kind of thing at the time, and in my stack of work in my safe it popped up, and I finally put it in final and signed it.

Q Do you know why there is a reference to derived from NSDD 159 on the bottom of this?

A NSDD 159 is the directive that deals with covert actions and human approval, and that is what we are talking about.

Q Do you recall what Mr. North said during that telephone conversation?

A No.

Q You do recall him coming on the line, though, is that right?

A Yes.

Q And your memorandum refers to him coming on the line to "clarify the hypothetical facts for me."

A Yes.

Q Do you recall what he said by way of clarification?

A Just he was explaining hypothetically what was going to happen.

Q Was he referring to the use of this agent?

A It could be. I just don't recall specifically what it was. I mean, I said, I recall something to the effect, "Let me clarify the facts for you", or something like that, or "Let me clarify the situation for you", or the proposal for you, and basically just said what Stan had already previously said.

Q Did you understand that both Sporkin and North were

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eager to get you to say that this was a fine way to proceed?

A I got the impression that Stan was hoping that, based on what he told me, I could see a way to say it was okay to proceed as they were proposing. But I couldn't. Because, first of all, I didn't have many facts; secondly, I was concerned about the statutes that applied to military equipment that had been transferred to other countries under other statutes.

Q What was your concern?

A My concern in that regard was there would have to be several approvals obtained for re-transfer, and there would have to be separate notification under those statutes to the Congress of the re-transfers.

Q And why would that be a problem?

A That would be a problem because -- I am saying this in hindsight, I guess, or maybe we discussed it at the time, that one of the options I guess being considered was to not report the matter to the Congress before it was done, not to do prior reporting.

And, indeed, I believe that Stan's talking points memo that he used for his meeting with the Director reflects it, those were options.

Q Do you recall having said to me in our interview a week or so ago that third-party arrangements being proposed in this telephone call was a flimsy way to do things?

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A Say that again?

Q Could you read back that question?

(Whereupon, the reporter read back the pending question.)

THE WITNESS: I don't know whether I used the word "flimsy".

BY MR. CAROME:

Q Is that accurate -- is that how you felt about the proposal?

A I said that I thought -- I said that I was bothered at the time that we would be using our authority, the authority that we had developed and was recognized to do this activity by using someone who had so little direct involvement with us at CIA.

Q And your concern was that might not be a valid way to invoke the authorities of the CIA?

A No, I don't think I said that. I guess it troubled me because, I guess it troubled me because, I am trying to think back as to why it troubled me at the time. I guess it troubled me at the time because I got the feeling that this middle guy -- I mean someone once described it to me as a middleman sort of acting with our authority, and I guess my best recollection of why it troubled me at the time is under the way it was described, it sounded like we wouldn't have any -- we, CIA, wouldn't have any control over this person, and I guess that is what bothered me.

MR. FEIN: The other person, as events ultimately unfolded, was Richard Secord?

THE WITNESS: I don't know. I mean, I don't know. He's the guy who seems to be centrally involved in what ultimately transpired, but --

MR. FEIN: Would that have been the first occasion in your entire experience at the agency where a so-called third party or a commercial cutout, as Secord described himself, was ever employed in a covert operation?

THE WITNESS: I think the answer to that is no. It certainly would be the first experience to my experience with the third party cutout, commercial guy was the whole operation basically.

BY MR. FEIN:

Q You mean that in this instance, the plan was that once the weapons were transferred to the so-called commercial cutout, that was the end, the joint venture at that point -- there wasn't any joint venture, so to speak, where you are utilizing part of a commercial cutout where agency officials are then involved in the ongoing completion of the project?

What was distinctive about this one was that once the transfer of arms was made to the third party, that was the end of the agency involvement?

A Yes, I think that's what subsequent events show, that basically we exercised little control, we exercised little follow-up and follow-through, to my knowledge.

Q Little or none?

A Well --

Q What control did you have at all?

A You can use both. Little or none. I don't know that we had much real involvement with this.

BY MR. CAROME:

Q Are you aware of any other arms transfers that were done under the Economy Act from DOD to CIA and then CIA ultimately to a foreign government where in the chain between the CIA and the foreign government there was a private party?

A Am I aware from my own personal experience of any?

Q Yes.

A No. But I wouldn't want to say there were none, because somebody would have to go back and look, do an exhaustive review of the kinds of things we have done in the past 12 years or longer.

Q But during the time you have been there, you have never come across such a situation, is that right?

A I think that's accurate. I can't recall any.

MR. FEIN: In any event, it would have been irregular -- not irregular in the sense of wrong, but a non-routine method of employing the economy.

THE WITNESS: I wouldn't want to go so far as to say I had any feeling or thought at the time that there was anything illegal about it.

BY MR. CAROME:

Q At the end of this telephone conversation with Sporkin and then North, do you recall how things were left? Was it left that you had successfully shot down this proposal, or did you know what was going to happen with it?

A To the extent I have a recollection, I would only say I thought I had made my point and position clear to Stan, if we are going to be involved, we have got to really be involved and not just sort of let somebody else be out there running around with our authority doing something. But I don't recall how the conversation ended.

I do know that subsequently we either helped Stan prepare or prepared for him some talking points in which I think he made some of the points --

Q I was going to talk about the talking points next, and I was going to make them an exhibit. Before we do that, if I could ask you, as of this point, we are now at January 15, 1986, how is it that you understand, what is it that you understand the purpose of this transaction to be? Do you now understand it not to be a question of replenishing or upgrading Israeli stocks but rather to be an initiative to get the hostages out?

A I can't really say at this point what I really knew at that period in time. I mean, I have learned so many things subsequent to that period of time, it's kind of hard to distinguish between what I knew then and what I really know now in light of subsequent events.

Q Could you make that the next exhibit. I think we are now up to 10.

(The following document was marked as Exhibit GC-10 for Identification.)

COMMITTEE INSERT

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BY MR. CAROME:

Q I show you what has been marked as Exhibit 10 and ask you if you recognize what that item is. They appear to be talking points that Mr. Sporkin provided to Mr. Casey. They are dated the 15th of January, 1986.

Did you have any role in the preparation of those talking points?

A I don't recall, I really don't recall whether I saw them at the time or saw them subsequently. One thing to determine is whose number this is for classification on [redacted] Did we ever determine if that's Jamison's number or not?

Q I thought it turned out to be Sporkin's.

MR. HUGHES: Yes.

THE WITNESS: That makes it more likely he did them on his own and I only saw them subsequently.

BY MR. CAROME:

Q Were you aware at the time talking points were being prepared by the Director for a meeting at the White House on or about January 16?

A I think I was, but I can't be certain.

Q The talking points say that the key issue involved was the question of reporting to Congress. Do you know why it was that that was viewed to be the key issue at that time?

A Specifically? I can only generally recall there must have been some discussion about the issue of withholding prior notification from the Congress.

Q Do you recall participating in those discussions at the time?

A I can't recall any specific discussions, no.

MR. FEIN: Let me bring you back. Stan testified when he was out of the agency he withheld prior notification to Congress with regard to the Canadian rescue of hostages in the Canadian Embassy during the so-called hostage crisis there. Would it have all been unusual if this was an effort to gain the rescue of hostages to not notify Congress in advance, or was that the kind of a so-called ethos of the notification statute at this point?

THE WITNESS: Certainly the fact that we had not notified the Congress and had not been notified in that case served as a precedent, even though at that time there was no statute on the books that required notification. Under that time, all we had was Res. 400, as I recall, and we had obligation in Executive Order 12036 to keep the Congress informed as to Presidential procedures.

But I think that is a precedent for this kind of activity in which the Congress was not notified.

BY MR. CAROME:

Q Was one factor driving the desire there not be prior reporting to Congress a concern about the nature of the political reaction that there would be here in the United States if the operation were disclosed?

A I don't recall anything ever being said that indicated that was a consideration.

Q Did you infer that was a consideration at the time?

A No, I did not.

MR. FEIN: Would you infer it was a consideration today?

THE WITNESS: I would have to say, in my honest opinions, that the discussion of withholding, withholding prior notice probably really focused on the need for security, and the need to keep the matter secret and secure for the purpose of accomplishing the objectives.

There is a great amount of feeling that when things get reported on the Hill in these categories, in these covert action categories, that they leak out. In this kind of situation, I guess the feeling was that it could be disastrous for the success of the operation. That's just my opinion.

Only those who were involved in the actual decision-making that led to the finding and those principals involved in the discussion could say for sure what the factors were.

BY MR. CAROME:

Q The talking points in the fourth line say "Since there is a Presidential finding."

Do you know if at this time it was clear to you that in fact there already was a Presidential finding in and of itself?

A Which paragraph?

Q The first paragraph of the talking points.

A Well, that is certainly consistent with what I previously said, which was that I had heard there was a finding, which is the one I urged we take a look at.

Does that answer your question?

Q Yes.

Were you aware that the January 16 meeting that these talking points were apparently prepared for would be participated in by Weinberger, Meese and Casey?

A No.

Q Were you aware around this time or around that January 16 meeting that Secretary Weinberger had gone back to his Legal Department and sought an opinion on the transactions contemplated?

A I have heard that. I don't recall whether I heard that at the time or whether it was subsequent.

Q Do you know who you heard that from?

A Stan Sporkin perhaps. I think it could have been subsequent, because I did have a conversation with him on one or two occasions since November of '86 about it.

Q And do you recall what Mr. Sporkin said on the subject of Secretary Weinberger getting legal advice from his own people?

A Just that he had said that he was going to go back and get it.

Q Was there anything further about whether or not Weinberger got advice and what the nature of the advice was?

A There may have been, but I don't recall what it is or was.

Q You are not sure whether or not you were aware of that back in January of 1986, is that right?

A I don't think I was. I think I became aware of that subsequent.

MR. CAROME: Mark this as the next exhibit.

(The following documents were marked as Exhibit GC-11 and GC-12 for Identification.)

COMMITTEE INSERT

BY MR. CAROME:

Q I show you what has been marked as Exhibit 11 and ask if in January of 1986 you recall having seen that document?

A No.

Q Have you seen it since, other than before today?

A Yes. I have seen it since either December of '86 or January of '87. This subsequently surfaced in the course of the collection of documents for this review.

Q Do you recall where this document surfaced?

A I don't. I think, I think the NSC staff.

Q So the record is clear, this is a finding, dated January 6, apparently signed by the President and bearing some handwritten notes around the middle of the page adding the words "and third parties."

Do you know whose handwritten notes those are?

A I do not know for cer[redacted]

Q It is our understanding they are Mr. Sporkin's notes. Do you know of any reason to contradict that?

A No. If I were asked to give an opinion, I would say it looks like his handwriting.

Q I show you what has been marked as Exhibit 12 and state for the record that that appears to be the January 17 signed finding. Do you know when you first saw this document or became aware of it?

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A I don't think I really ever saw this until November or December, '86.

Q Do you know when you became aware that it had been signed?

A No, I don't.

Q Did you understand that the January 16 meeting that Mr. Sporkin was going to attend was directed to the subject of a finding such as this?

A No. I mean, I knew that there was a -- I had an impression, I think I had an impression there was going to be a meeting about a finding for the purpose of what had been generally described to me in not a tremendous amount of detail. That's the best I can do. No, I didn't know they were specifically going to look at this piece of paper with these two paragraphs.

Q Do you have an understanding why the phrase "and third parties" was added into this finding?

A No. No one has ever discussed that with me.

BY MR. FEIN:

Q If you look at the ultimate paragraph there, about the U.S. Government will act to facilitate efforts by third parties and third countries to establish contact with moderate elements, wouldn't it have been if the third paragraph had omitted "of third parties" and just spoke of third liaison services in third countries, that is, the last paragraph clearly contemplated the ~~in~~assistence of third parties, and it would be rather odd if the first paragraph was not congruous with that contemplation?

A I really can't say. I mean, it depends on what the people who drafted this had in mind and what they would have said in any accompanying papers, if any, to describe it to the President or the other members of the NSC. When we drafted findings, we usually explain in scope papers what's intended, so I wouldn't rule out that they couldn't have had a separate purpose with respect to paragraph one objectives from paragraph two objectives. It's possible.

Q But from what we know in retrospect, from what we know in retrospect as to the purpose for which the finding was utilized, that possible differentiation simply would not make sense, would it?

A I don't --

Q Because, in fact, all the purposes converged in the sense that the whole effort to establish more moderate government and what was necessary in terms of arms provisions to achieve that objective was concurrently the same method necessary to achieve the second objective, which was to obtain the release of the hostages?

A I really just don't think I can give an opinion on that. People are going to have to reach their own conclusions on that. You can look at this thing and say in light of what is said in the first paragraph, why is the first sentence of the second paragraph even needed?

Q Except for the fact the first sentence in the second paragraph refers to third parties. I would agree with you if you had third parties in the first paragraph --

A It does, in the 17 January version, it does.

Q I agree, but I am just talking about why at this stage Stan wrote in "and third parties" in the first paragraph.

A I don't know.

BY MR. CAROME:

Q Do you think that might have been because of Secord's contemplated role?

A Certainly it would be one explanation that makes some sense. But I am not in a position --

MR. FEIN: Especially since Secord testified he was at the meeting in the White House at which this meeting was discussed.

THE WITNESS: That is right.

BY MR. CAROME:

Q After the January 15 telephone call with Sporkin and North, what is the next time you hear anything at all about this Iran activity?

A Well, I think it was a couple of days later. I think it was a couple days later, on the 17th, when Stan told me that he was going to be leaving and that I would have to, you know, sort of follow this, or if any issues came up, I would have to deal with them on this matter that we have been discussing.

Q Stan was leaving.

A Yes.

Q Where was he going, do you recall?

A I believe by that period of time, his nomination had been voted upon and confirmed by the Senate to be a Federal Judge.

Q He was leaving the agency altogether at that point?

A Yes. And so subsequently I got the word there was going to be a meeting on either the 23rd or 22nd of January to discuss this matter, and I went to that meeting.

Q And this is the first meeting that takes place after the phone call?

A The first, the only meeting after the phone call in which I had anything further to do with this, this matter.

Q And who do you recall --

A Let me back up on that. I don't want to say it's the only meeting, because there was a meeting, there was at least one or two meetings that could have been after 15 January at which some outlines were discussed about how to proceed with accomplishing the finding.

Q Let's try and talk about these meetings separately, one at a time.

A I just want to make it clear there could have been more than one meeting I attended, but certainly this was the one that I probably remember the best, the one that occurred on 21 or 22 January.

Q Who was in attendance at this meeting on 21-22 January?

A My recollection is that it was Ed Juchniewicz, who was the ADDO -- this is all classified, right?

Q Yes.

A -- the ADDO, a fellow named [redacted] Chief of the NE Division, and another official from the DO named [redacted]

Q How do you spell that person's first name?

A It is [redacted]

Q What is her position?

A I think she is Chief of what is called [redacted] [redacted] of the DO.

Q Am I correct that you are reviewing --

A I took some notes at the meeting.

Q Those are before you, is that correct?

A Yes.

MR. CAROME: Could we go off the record just a second.

(Discussion off the record.)

THE WITNESS: Executive Registry No. 7947 down in the bottom right-hand corner.

BY MR. CAROME:

Q What you are looking at are handwritten notes, which I understand will be provided to the committee very shortly after this deposition, is that right?

A Yes.

Q Can you tell me what the subject of this meeting was?

A It was just generally to discuss what was going to be done to implement a finding or implement whatever CIA's role was going to be in assisting this matter, this operation.

Q And was this a finding relating to -- is this the Iran finding we are talking about here?

A I think in retrospect it is. Whether or not I knew what specific finding it was at the time, I am not sure.

Q How many pages of notes is it that you have?

A One page.

Q What was your role at this meeting?

A Just to be there to answer any legal question or give any legal advice on issues that may have come up that required such advice.

Q Did any legal issues come up at the meeting?

A Not that I recall.

Q Was the subject of shipments of TOW missiles discussed at that meeting?

A Well, I don't recall if they mentioned TOWs. I wrote down equipment.

Q Was the subject of Economy Act transfers discussed at this meeting?

A It probably was. I didn't put that down in my notes. It probably was.

Q Was Secord's name mentioned at that meeting?

A Yes.

Q Was Secord present at the meeting?

A No. There were only four people, myself and the other three people were present.

Q What was said about Secord at the meeting?

A Just that he was going to put the deal together.

Q In what sense?

A That's what I wrote. It wasn't -- I mean, the discussion -- I would have to say that the discussion presumed that people already had a lot of knowledge, so the notes that I made were just sort of shorthand notes of things that were said. He was formerly DOD, he was going to put the deal together, and --

Q He was formally DOD?

A Yes.

Q What does that mean? Oh, formerly. I understand.

A There must have been a discussion of TOW missiles. Whatever it was, there was a discussion of limiting the number until we get the hostages, North and Secord were going to set the deal up in London, there was a question about a bank account, somebody made reference to the fact we can't prove this is a moderate group.

Q Do you know who made reference to that?

A Either [redacted] or Juchniewicz. It could have been Juchniewicz. That is it. That is all that is in my notes. There were other people who were supposed to know details: [redacted] Claire George --

Q They knew the details?

A Those were people mentioned who were somehow to be knowledgeable about this operation. I made a note, "Call [redacted] about details."

Q Can you tell when that meeting took place exactly?

A Either the 22nd or 23rd of January, '86.

Q Is that what the notes say?

A That is what I wrote on the notes at the bottom. I wrote that subsequent to the meeting. I don't know how subsequent to the meeting, but I wrote that based on my best effort to reconstruct when it would have been after I received the guidance from Sporkin. I know it was shortly after I received guidance from Sporkin.

Q You say there may have been another meeting or two that you attended. Do you recall a meeting sometime after January 17 that was in Sporkin's office and attended by Sporkin, Deputy General Counsel Dorty Clark and Jim Harris?

A Yes. There was a meeting at which there was a discussion of how to lay out a road map for people to do things, do the Economic Act transfers, set up the bank account, so on and so forth, and somebody did a first draft of this, and my recollection is that Harris took it and made it a more expanded draft. I think you have those. If they had dates on them, it would be helpful in settling when the meetings were.

Q Do you recall the date of that independently?

A No.

Q There may be a date on one of the documents. Why don't [redacted]d as the next exhibit.

(The following document was marked as Exhibit GC-13 for Identification.)

COMMITTEE INSERT

BEST AVAILABLE COPY

BY MR. CAROME:

Q I show you what has been marked as Exhibit 13 and ask you if you recognize what that is. That may actually be more than one document that has been stapled together.

A It is. It's -- the first one is what I recall to be the draft that was prepared when Dave Dougherty participated in figuring up what we had to do to get this thing moving.

Q When you say the first one, which pages of Exhibit 13?

A The page, dated 17 January '86, 2:00 o'clock draft at the top right-hand corner. It is nine paragraphs, one through nine. There is a subsequent version which is on top. It doesn't look like it has a date.

Q But it is the front pages --

A The front three pages of this thing marked Exhibit 13. This, I think, was prepared by Jim Harris based on the one page dated 17 January '86.

Q And who do you understand prepared the one-pager?

A Dave, my understanding is that Dave Dougherty did.

Q Does this exhibit or group of documents help refresh your recollection as to when this meeting in Sporkin's office took place?

A I assume it was the 17th, since the draft is dated the 17th.

Q Was that actually drafted up during the meeting?

A I think it was. I think somebody was taking notes and had them typed or that he did it and then he brought it back in and looked at it.

Q Am I correct that what you are attempting to put on paper here is a blue print or a road map for how this Economy Act multi-country transaction was to take place?

A Yes. I wasn't involved in drafting this, the purpose of it, though, was for those people who were involved in the operational details of carrying out these activities to sort of lay out something that the operators could live with to figure out how to proceed. That is my recollection of what it was.

Q Was --

A I had another question of how bank accounts could be set up, how money could be transferred, either to or from the Army or DOD. There was a problem of -- well, there were problems it would show up on the books if it was transferred one way. There were all kinds of accounting issues that were discussed, I believe.

Q What were the problems with bank accounts?

A Just that there had to be some way to explain how this money was falling in and falling out. That's the only thing I can recall.

Q Is Jim Harris an attorney who works for you?

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A He doesn't work for me, no.

Q What is his position?

A He is the Chief of the Logistics and Procurements Law Division.

Q What is his role?

A He is the Chief of the division that handled all our procurement and logistics-related legal issues. This certainly was at this point a logistics-related issue.

Q Did Mr. Sporkin play an active role in this meeting?

A He was there. He participated in discussion, it is my recollection.

Q Do you recall whether Secord's name came up during that meeting?

A I do not recall it coming up.

Q You think you would have remembered had it come up?

A I think I would have. It's hard to say.

MR. FEIN: He was not a household word at that time?

THE WITNESS: No, he was not.

BY MR. CAROME:

Q The last page of Exhibit 13, do you recognize that?

A There are two pages.

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Q The last two pages, you say you don't recognize those?

A I don't recall those.

Q I am not quite sure why these documents are all together. In any event, you don't have a recollection of seeing that?

A No, this certainly --

Q Do they look like they cover the same subject matter that was being discussed at this meeting?

A No, they sort of cover -- certainly the last page, the last page covers the policy-related questions about doing this. It gets into things like, there is precedent and authority for doing it one way, when the FNS report is needed. It is a straight covert action operation, there would be no unnecessary overlap, if we are going to use our authorities to get the weapons from DOD and pass it through the Israelis to Iran.

Q Does that document seem to address the two options Sporkin had under consideration?

A Right, it does. I don't recall having any role in preparing that. Maybe George Jamison did. Some of the handwriting on it would appear to look like it is Sporkin's handwriting.

Q It appears to be something you would guess originated at the CIA?

A I don't know. I couldn't speculate on that.

Q Other than this meeting, where these logistics questions came up, and the meeting for which you have the one page of handwritten notes, were there any other meetings that you attended on January 17 on this subject that you can recall?

A Not that I can recall.

Q Do you recall which of the two meetings came first?

A The one -- I am not really sure I attended a second meeting to discuss the longer version of that thing called "milestones".

Q Could that have been the meeting attended by Juchniewicz, [redacted] and [redacted]?

A No. The meetings to discuss these two documents here on Exhibit 13 were held at the General Counsel's office [redacted]

Q There may have been a second meeting on this "milestones" document?

A I don't know. The meeting I attended with [redacted] was on the 22nd or 21st. It was on the 17th I got guidance from Sporkin, if there is anything more to do on this, you will be involved. That is consistent with the fact there were other things being done on the 17th to outline how to do things.

It seems logical he would have said, if there is

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anything to do, you go do it, Clark, and then I got a call for a meeting on the 21st or 22nd, at which I have outlined for you I made one page of notes.

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Q What was the general purpose of the January 21 or 22 meeting?

A I guess it was our people trying to figure out what they were supposed to be doing next.

Q Were you aware of Secord becoming involved, talking to CIA people at any time during January?

A I think that the meeting I went to on the 21st or 22nd was the first time I heard Secord's name mentioned in connection with any of this.

After the meeting on the 21st or 22nd of January, I never heard another word about this until it broke in first the Lebanese press, Syrian press, and then subsequently the U.S. press in November of 1986.

Q And why did your involvement stop?

A Nobody called me for any advice.

Q Did that surprise you?

A Did it surprise me? No. For all I knew, I didn't know what happened to any of this stuff. It could have not come off, as far as I know.

Q Were you aware of any tow or Hawk part transactions?

A Absolutely nothing. I heard nothing about any of it. As a matter of fact, when the thing first broke, it took me a day to figure out that it was related to the same thing that I had been involved with back in January. Because when it first broke, it broke as a mission McFarlane was involved in going to negotiating, and I never heard McFarlane's name in any of this, then I said wait a minute, and then they started talking about weapons involved, I said wait a minute, that sounded like something rings a bell.

BY MR. FEIN:

Q And the birthday cake and Bible was a giveaway?

A I said oh, no. You don't have to put that down. That is off the record. I think you have exhausted my knowledg of this thing.

BY MR. CAROME:

Q When the matter came to public light in November of 1986, did you become involved in the pulling together of facts on the matter?

A To a very limited extent.

Q Could you explain what that was?

A Well, I think people asked for documents anybody had on this to be sent to a certain location. I pulled my documents together and sent them off to those locations.

Q Who did you send them to?

A George Jamison. By that time, Jamison has left the position he was working for me [redacted] and gone over to take Ernie Merrifield's position as DO counsel. So, Jamison was heavily involved in pulling together a chronology of everything that happened, and so, Doherty put out a notice anybody who has any documents on this,send them to Jamison.

So, I sent my documents to Jamison without making copies, which I later regretted. Then I couldn't find anything I had ever written. We had trouble locating these documents.

Q Did you participate in any meeting at this time in November 1986 where the story was trying to be pieced together?

A Oh, yes.

Q Who did you meet with?

A The General Counsel, and George Jamison,and there have been others.

Q Can you recall when those meetings took place?

A They took place throughout November of 1986. They took place specifically in the days prior to preparing a statement for the DCI to use when he came up to first testify on the Hill on the 21st.

Q Do you recall during those discussions preceding the Director's testimony whether the subject of CIA knowledge of a November 1985 Hawk shipment came up?

A Yes, I think it did.

Q Do you recall what was said on that subject?

A Well, the people who were preparing the statement were people who didn't have direct knowledge of everything that had happened, so when we started reviewing the draft statement, we found out there were gaps in the statement, we found out there were errors of fact in the statement, because they put somebody in charge of drafting the statement who wasn't involved in any of this.

So, we started pointing out to them, to the people who were involved in directing preparation of the statement, that there were errors.

Q Was one of the errors the question of whether or not the CIA knew about the Hawk shipment at the time?

A No, I think the error that I recall was the error that somebody said that CIA didn't know anything about any shipments until January of 1986.

Q That was wrong?

A Well, it turned out that as other people in the office started getting pieces of the story, they provided information to the General Counsel that indicated it was wrong, because he came into possession of information that indicated that there had been some kind of flight in November of 1985 that we had knowledge of, and there was a question of what was on that flight, and there was confusion as to who knew what was on the flight.

So, he became concerned about any statement that said we didn't know anything about any shipment of missiles until January of 1986.

Q When you say he?

A The General Counsel became concerned that that was misleading, so he got hold of the Director and it was changed.

BY MR. FEIN:

Q Wouldn't it have been true the November shipment was a shipment of Israeli tows, it wasn't in the November shipment any arms to the United States?

MR. CAROME: They were Hawks?

THE WITNESS: Hawks and parts. But Hawks are missiles, and the way the statement was drafted, I don't recall --

BY MR. FEIN:

Q They weren't United States missiles, that was all out of Israeli inventory, wasn't it?

A That may be the case, but the statement was drafted about when people in CIA had any knowledge of any shipment of missiles to Iran, and the statement said not until January of 1986.

Q [redacted]

A We interpreted it to mean U.S. missiles in which CIA may have played some kind of role.

Q They weren't U.S. missiles, weren't they Israeli?

A No -- well, they were in the possession of the Israelis. They may have been their property, but a Hawk missile

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is a missile made in the United States, so we consider them, I would consider it a U.S. missile, U.S.-origin missile. We weren't making this fine legalistic distinction when we were discussing the statement.

Here is a statement, said we didn't know anything about -- we basically interpreted when we first saw the statement as saying we didn't know anything about this until January of 1986. That was wrong.

BY MR. CAROME:

Q Could you mark that as the next Exhibit? This will be my last Exhibit, I promise.

(The following document was marked as Clarke Exhibit 14 for identification:)

COMMITTEE INSERT

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BY MR. CAROME:

Q Mr. Clarke, I show you what has been marked as Exhibit 14, and ask you if you can tell me what that is?

BY MR. FEIN:

Q Could I back up one second? Who was it that prepared the initial draft of the Casey statement that you had to correct?

A My understanding is that a [redacted] prepared a chronology of events, of dates and just one-liners. That was given to somebody in the DDO's Office, and he was told, make this into a statement. Well, at that point in time, it was given to somebody who had no personal knowledge and no personal involvement of anything that had happened.

So, it is quite understandable that he is being given a job to do, he said what do I do now, so he is out there trying to put pieces together, and he is doing the best job he can, and he didn't have any knowledge of what was going on.

Q It was not prepared by someone who received his instructions from Director Casey?

A To my knowledge, absolutely not. Director Casey was out of town until the day before the actual hearing, and as a matter of fact, when we and the General Counsel's Office started reviewing these and started seeing how many times they were changed and how much additional information was coming in and how many unanswered questions there were, the General Counsel advised that the hearing be put off until we could get our act together and prepare a better statement, but the policy makers decided not to take that advice and they decided to go ahead, because there was a tremendous amount of pressure for a statement for somebody to get up there and explain things, even though the picture was unclear.

BY MR. CAROME:

Q Returning to Exhibit 14, Mr. Clarke, could you please tell us what that is?

A It is a memorandum that an attorney who worked for me prepared. It deals with some issues, legal issues related to what has transpired with respect to the shipment of arms to Iran.

Q And just so the record reflects what we are talking about, that is a memorandum dated November 19, 1986.

A Yes.

Q And do you know why it was that you asked that that be prepared?

A I think the General Counsel asked that we prepare a memorandum that addressed these issues.

Q Which issue is that?

A Well, the issues of whether or not there was a requirement to give prior notice, whether or not that the activities that occurred in November of 1986, 1985, required a finding, and similar issues related to reporting requirements.

Q Are you aware of any institutionalized process by which someone at the CIA monitors a finding for which there has been no notice to Congress, for the purpose of deciding when there ought to be notice to Congress?

A Well, since there has only been two occasions, only one within the last eight years, the answer is no, I am not aware of any institutionalized process, but in light of the fact that there has only been one of those in the last eight years, that really doesn't surprise me.

Nobody has had occasion to consider there should be an institutionalized process for it.

Q Do you know whose responsibility it is to worry about that?

A Well, that would depend in the first instance on what the President was supposed to say in the finding that the notice be withheld. If the finding said, I hereby direct the notice be withheld and not be given until I determine, or not be given until the DCI determines, then I think those officials have to take the responsibility for giving the go-ahead for notice to be given.

Q You are not aware of anyone at CIA doing any monitoring of this January 17 finding on the question of whether or not there ought to be some reporting to Congress, are you?

A I am not aware of what may have been done in that regard.

Q Where are findings normally filed after they are signed?

A Well, there are several copies usually filed out at CIA in various offices, the offices that have to deal with the program in question. The area division, the DO counsel office, the General Counsel's office, the Executive Registry, among others, the Comptroller's Office, the Office of Congressional Affairs.

I think the original finding, original signed finding probably stays down at NSC staff.

Q Do you have any idea why that normal filing procedure was not followed with respect to any finding relating to the Iran transactions?

A Do I have any idea why?

Q Yes.

A I assume it was because it was a case where the President directed notice be withheld, they considered the subject matter of the finding to be sensitive, and because of security, they wanted to restrict dissemination of the information.

Q Isn't it true that there are many matters that go on at CIA that are at least as sensitive if not more sensitive than this particular Iran arms initiative?

A Well, I certainly think there are a lot of sensitive activities that go on.

BY MR. FEIN:

Q Wasn't the distinct feature if there is disclosure, it would threaten the lives of the American citizens that made this unique, and was the reason as you pointed out why there had been no prior notification only once in eight years?

A It is certainly reasonable to assume that?

BY MR. CAROME:

Q Isn't it always the case that there is sources, et cetera, whose lives are always at stake if there is disclosure?

A Well, if you are talking about covert action matters, specifically; are you talking about all collection matters?

Q Just generally, I am sure that I am speaking more generally.

A Well, generally speaking, I have to say that great precautions are taken within the agency not to let true names of sources and assets and people involved cooperating with us get spread around very much.

Q Yet, still the Executive Registry is a depository for documents that contain such things. I am trying to figure why it is such extraordinary non-filing occurred.

A That is a good question. I don't think I can really help you on that.

Q Other than the --

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A Do you have any more questions about this Exhibit 14?

Q No, I don't.

A Because I want to say this memo was done at the General Counsel's direction. I don't know that it has ever been approved by him. I don't know that it reflects the position of the Office of General Counsel, and I don't know that -- I would not want to say that it reflects my position.

Q Does it not reflect your position in some respects?

A I would have to go over it specifically. I just want to make it clear for the record that just because the memo is addressed to me does not mean that I endorsed the legal conclusion in the memo.

Q Are you presently aware of something in there that you don't endorse? I am not asking you to read it, because I am not sure it is worth the time involved. Is there something sticking out in your mind right now that is bothering you about the memo?

A Well, I can't say about the memo, but I can say that in the course of considering the applicability of legal requirements to certain things that transpired, there was not unanimity of opinion within the Office of General Counsel about whether or not the various legal requirements were met.

Particularly with respect to things that we were never advised of.

Q Such as?

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A Such as flights that occurred in November that the Office of General Counsel was never advised in advance of and never asked to render an opinion on. So I don't want to get in the position of being just this memo is addressed to me having it appear that I endorse any of the conclusion, because I would want to consider each and every issue that could arise in that regard separately.

Q Other than the one telephone conversation on January 15 when you spoke with North, was there ever any other time that you spoke to North that you can recall?

A Not about this subject.

Q Was there anything relating to hostages that you spoke to him about?

A No.

Q Other than that conversation?

A I don't believe so.

Q What were the other conversations?

A Other covert action programs.

Q Not related to --

A Not related to Iran or hostages.

Q How frequently did you speak to him?

A Infrequently. Not that I really spoke to him, but I was present at meetings where he was at.

Q Were these meetings at the CIA?

A No, they were down at the NSC staff.

Q When did they occur? I don't want to get into the subject.

A They occurred in previous years. Nothing in 1985 that I recall. It could have been 1984.

Q Okay.

Do you have calendars from the period, say, October 1985 through February of 1986, available that we could have access to?

A Well --

Q I will split that into two questions. Do you know if you have them?

A I may. I usually keep calendars for a year. I think I recall looking at my calendars for this period, and there is nothing there. If I would get called to a meeting in Stan Sporkin's office on a priority basis, because he wanted to see me real quickly, I don't put it down in my calendar.

Q It may be, I guess I am not going to make the request right now, because I am not sure it is something we need to pursue. It may be that I will be getting in touch with the Congressional Affairs Office to talk about getting those.

A I don't even know --

Q It is just a question of trying to piece together dates through that critical time period. I don't think I have anything else.

BY MR. FEIN:

Q I have a few lines I would like to follow up. Is it your understanding, George, that the way in which this covert operation was structured, that as it turns out, the middleman, so-called, Richard Secord, would be acting basically as an independent agent once he obtained the arms from the CIA, and that that is what caused you some concern, that is what made that kind of covert action somewhat out of the typical mold, was that he indeed would be acting without any direction, supervision, association with the Agency, once he provided the money to buy the arms?

A Well, I would have to say that based on the way the findings were, there seemed to be an authority for CIA to act through third parties in accomplishing any of the objectives of the finding, and General Secord seems to be a third party.

Q So, the answer is yes, that is what made that so irregular, that the middleman would be acting kind of independently on his own, and CIA would phase out, so-called, legally, once the arms shipments were given to the middlemen, even though I suppose it is possible that the middleman could have taken them to Japan or some other place.

A Well, I don't know that I can really answer that the way you have asked it because I don't know what the people who were involved in structuring this program may have said to him that they considered bound him to follow certain directions or guidelines.

Q In the use of weapons?

A That is right.

Q They could have sold the weapons on condition that Secord sell them to no other party than getting them to Iran?

A That is right.

Q And in fact, to your knowledge, once the arms transaction, you really didn't come back and become aware of anything once the finding was made in terms of operational details.

To your knowledge, was it unprecedented that the middleman here would sell arms and obtain the kind of mark-up that Secord was able to obtain?

A Well, I can't really answer that with respect to the mark-up question. I think I would have to say that I am not aware of any precedents for us using a guy like this to really to go out and sell the arms commercially sort of as a private individual.

Q Did it raise any legal qualms in your mind, or was it your understanding that once the Agency got all the money it bargained for from Secord, and was that amount 21 million, I think?

A Or 12-something.

Q That once the Agency got the money it bargained for, that was all the money to which it was entitled, where the money went after that was not a legal issue for the Agency?

A I think the only legal issue for us is to make sure that we are going to get -- there is going to be a sales price on the arms that assures an amount of money coming back that will cover the cost of the arms to us.

It is very important to know what I think was contemplated by those who obviously were more intimately involved in structuring this, and setting it up as to what, if any, kind of arrangements they had with General Secord. I don't know that.

Q But the legal issue, once you got all the money you needed to cover, paid DOD, under the Economy Act for the arms, then legally, the CIA's obligations were satisfied; is that right?

A I guess I would have to say I think the answer is yes. I don't see anything legally wrong. I wouldn't see anything legally wrong with using a third party and allowing him to make a profit on the sale of arms if that were sort of a condition that we had to use, or live with in order to get him to.

Q To get his cooperation?

A Yes, to do the deal. It seems to me if we are going to use third parties to do these things, they are entitled to make something on the deal if they are in the business of doing this sort of thing.

Even if they are not in the business, they may decide to go in the business because of some particular access they have to a government that is of foreign policy interest to us.

Q Just one last line of questioning, George.

Are you aware of the Office of Legal Counsel opinion prepared at the Department of Justice that concludes that the President's findings, whether oral instead of writing, applicable retroactively, satisfied the legal requirements?

A I am not sure I understand what you asked.

Q Are you aware that the Attorney General and then later on initially gave advice that an oral finding as opposed to a written finding is sufficient to satisfy Hughes-Ryan, and I think Chuck Cooper, Assistant General for Legal Counsel, authorized a very lengthy opinion examining whether or not the President's notification and conclusions with regard to Hughes-Ryan satisfied the legal requirements, and concluded that it did.

A I am aware that there is an opinion written by the Department of Justice that deals with the question of the oral -- whether oral findings are permissible, and that it generally concludes that the way the notification issue was handled was appropriate and lawful or was lawful.

Q Is there any reason, do you disagree with those conclusions of the Department of Justice?

A I do not disagree with the conclusion that an oral finding is permissible, and that there is an authority for the notification to be handled the way the President directed it to be handled.

Q Do you disagree with other parts of the opinion?

A Well, I don't recall everything that the opinion dealt with, so I don't want to be put in the position of agreeing or disagreeing with parts that I didn't specifically recall or have not really addressed.

I do not think the opinion gets into this retroactive issue. Do you recall?

Q Well, I suppose one could conclude that retroactivity is not a problem insofar as one assumes that the President's oral finding, say, the oral finding that he made over the telephone with Mr. McFarlane, authorizing this Israeli shipment in September and October, the first shipments, was tantamount to an oral finding that all future arrangements were likewise intending to accomplish the same purpose, were likewise permissible, then you don't have a retroactive issue.

A I guess I would agree if in fact there were an oral finding, there shouldn't be any issue of retroactivity, meaning a retroactive written finding. When the facts support that there was an oral finding, I am not really in a position to say whether I agree with that or not, because I hadn't really followed it carefully, I haven't looked at the record carefully.

Q Let us just assume hypothetically that Mr. McFarlane's recommendation is correct in saying that the President called him and told him yes, he can give official approval.

A Well, I think there are some factual problems with that scenario, as I understand it. I mean, the statute applies to CIA and expenditures of CIA funds. If the President tells another staff officer or another Cabinet officer to go down and do something, he is not really directing CIA to do it.

If that guy turns around and comes to CIA and says, will you do this, I think there is a question whether the line of authority for the President to direct that really contemplates CIA was going to do it.

Q My own recollection is that the Department of Justice memorandum did not address the retroactivity issue.

A I don't think it does.

Q It simply goes to the question of oral findings. But let me ask on that point of retroactivity or not, had you discussed or done any research at length on the President's constitutional prerogatives and how they might override any statutory limitation on retroactivity findings,or was basically your research limited simply to an examination of the statutes, not considering whether they might have to bend to constitutional prerogatives?

A We never did any research in advance of this problem coming to light about this issue. We have done research on the constitutional prerogatives of the President with respect to holding prior notification, but we have never examined the issue of whether the President has any constitutional prerogative to override a statute passed by Congress which puts a condition, a condition precedent on the expenditure of funds by an agency.

We have considered that. We haven't written anything about it since November of 1986, and it is at least my conclusion that there are problems with arguing that the President has constitutional prerogatives to override such a statute that amounts to putting a condition precedence on an agency to expend money.

As I say, we haven't written anything on it, and in all of my time considering covert action issues, which goes back about 10 years or so, we have never had occasion to have to address this issue or have anybody suggest that there is a need to examine whether the President has authority to order an activity requiring the expenditure of money when the Congress has said that there should be a report, a finding and report before the money is spent.

Q Well, you are aware of the Duran and Holland and other Supreme Court cases suggesting the President has an inherent constitutional authority, and indeed, an obligation to save Americans who are held hostage abroad, indeed American property, and if you consider what would be the constitutionality of the Federal statute that told the President, you can't spend any Federal monies to accomplish the purpose that the Constitution requires you to undertake --

A Well, I think there is a different issue there. I think the issue is not so much whether or not that statute would prevent the President from doing that, as to whether or not the President would certainly be free to go ahead, he would have to make a report he made a certain kind of finding.

The fact that he has to make a report doesn't prohibit him from going ahead with it, or certainly the fact that he has to make a finding which he could choose to report or not doesn't prohibit him from going ahead with the activity.

Q But one could, I suppose, under those circumstances maybe get into semantics, the fact that the President did it is almost tantamount to the finding itself?

A The fact that the President did what?

Q Sought to rescue hostages would be tantamount to making the finding that the statute might require?

A Well --

Q Otherwise he wouldn't?

A I certainly would want to think long and hard about that before I decided to advocate that as the best position.

Q I am not talking about policy, just when things go amiss, that is when we end up in court. That is the end.

BY MR. CAROME:

Q I have actually thought of a couple short questions.

Can you think of any purpose that was served from a legal point of view, either non-reporting or otherwise, by inserting a third-party agent such as Secord into the purchase and selling chain between the United States and --

A Any purpose?

Q Any legal purpose served by inserting Secord in the chain as a link in the chain between CIA and Israel and Iran on the sale of these tows? Did it help you out from a legal point of view at CIA, help the CIA out from a legal point of view in any way you can think of?

A I don't know. It might have made it possible to really carry the operation without any expenditure of CIA funds which would have to be budgeted for that purpose, and which might have to otherwise be appropriated, but I don't know how long they intended this thing would go on. I really can't.

Q But assuming that funds were going to be fully available for the missiles being purchased, the equipment being purchased, therefore, you can't have this monetary authorization problem, can you think of any other purpose from a legal point of view that would have been served by inserting Secord into the transaction?

A I really can't be sure.

Q You can't think of any other?

A It might have made it easier to conduct the activity because the money that is going to be expended initially wouldn't have to be up-front government money because in accordance with the normal results, if we are going to have to take money out of the reserve, we would normally give notification, so if you could accomplish an activity which that didn't require money coming from the reserve, you would obviously not need to worry about other notification requirement that had been built up over time as a matter of policy.

Q Would it have helped you out in terms of any reporting requirement to have scored in the link, would it have made it more justifiable to not report?

A Once you have a finding that authorizes us to deal with him, I don't really think it does. Once you go to the length of getting a Presidential finding to authorize us to be involved in procuring the weapons from DOD, then I don't think a third party relieves you of any obligations that you otherwise would have.

Q What do you think was driving the decision to include Secord in that?

A I can't tell you. I just have no way of knowing. Maybe he was in touch with people who had access to people in Iran who were going to be dealing on this matter. I have no way of knowing.

Q One concern you had about not following the Economy Act route, but following, say, perhaps -- let me rephrase the question -- one concern you had back in January of 1986 was the consent and reporting requirements of the Arms Export Control Act and Foreign Assistance Act, if you were not going to follow the Economy Act route; is that right?

A I had a concern that if the idea was the missiles that had been shipped under Foreign Assistance Act provisions and given to a third country like Israel, I was concerned that transferring those weapons would create legal issues under those other statutes, the Foreign Assistance Act statutes, that required Presidential approval or Executive approval, and specifically issuing reporting to Congress.

Q Do you have an opinion, or do you have an opinion then about whether or not a covert action finding would be able to supersede those consent and reporting requirements?

A I didn't, I don't have an opinion on that. I didn't have an opinion then because I never was aware of any contemplation of a covert action finding that directed that missiles [redacted] sent to Israel be transferred to Iran. The thing I was working on was how can this be done in such a way to structure it so that we have the least amount of problem legally, that was to get weapons DOD already had that weren't subject to any Foreign Assistant Act provision and get those to CIA under the Economy Act, and then to transfer them through agents or whoever they were going to be using, or do it directly. I wasn't aware of the details of it at the time.

If you do it that way, you don't get into the Foreign Assistance Act provisions.

Q You were concerned that the Foreign Assistance Act provisions at least represented a potential obstacle to the transaction?

A If we were going to be taking missiles that were already in Israel and sending them to Iran, I was concerned about that.

Q You were concerned. I have no further questions. Thank you very much for coming down and talking to us.

(Whereupon, at 4:35 p.m., the taking of the deposition was concluded.)

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From [redacted] shorthand notes, 25 November 1985

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East. I find it in the national interest to provide whatever assistance necessary to assist in that endeavor. Accordingly, I am directing the CIA to provide whatever assistance it can to those private parties in their attempt to achieve the release of the Americans held hostage. Such assistance is to include the provision of transportation, communications, and other support necessary to achieve this important objective. I understand that as part of these efforts certain foreign material and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the Americans held hostage.

Because of the extreme sensitivity of this operation, in the exercise of my constitutional authorities I order the Director of Central Intelligence not to brief the Congress of the United States as provided for in section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

This written finding ratifies all actions taken by U.S. Government officials in furtherance of this effort.

GC EX 1

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under provisions of E.O. 12356
by B. Reger, National Security Council

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DRAFT

Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign material and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages. All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

Partially Declassified/Released on 22 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

GC Exh 2

1130

The White House
Washington, D.C.

Date:

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UNCLASSIFIED

1/6/86
6 JAN 86

Exh. 3

6 January 1986

MEMORANDUM FOR: [redacted]
Associate General Counsel

FROM: [redacted]
Office of General Counsel

SUBJECT: Third Country Transfer of Equipment Provided Under the Foreign Assistance or Arms Export Control Acts

1. A question has arisen under what circumstances a recipient of U.S. foreign military assistance can transfer military equipment provided through the foreign assistance mechanism to a third country. Two statutory provisions address this question: one in the context of grant assistance under the Foreign Assistance Act (FAA) and the second where the equipment was purchased by a foreign country under the Arms Export Control Act (AECA). Both Acts require Presidential consent to a third country transfer and certification to Congress where certain dollar amounts and specific types of equipment are involved.

FAA § 505, 22 U.S.C. § 2314(a) and (e)

2. In order to be eligible for military assistance on a grant basis, the recipient foreign country must agree that it will not transfer the equipment to another country without the consent of the President of the U.S. and that it will return the articles to the U.S. when they are no longer needed, unless the President agrees to other disposition. 22 U.S.C. § 2314(a)(1) and (4).

3. In considering a request for approval of any transfer by gift, sale or otherwise of any implement of war to a third country, the President shall not give his consent to the transfer unless the United States itself would transfer the defense article under consideration to that country. The President shall not give his consent to the transfer of any significant defense articles on the U.S. Munitions List unless the foreign country requesting consent agrees to demilitarize

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such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President. (Consent authority was delegated to the Secretary of State in Executive Order 12163, § 1-201(a)(3),(4), and (5), September 29, 1979, 44 Fed. Reg. 56673.)

AECA § 3, 22 U.S.C. § 2753.

4. No defense article or defense service shall be sold or leased by the U.S. to any country or international organization unless the country or international organization shall have agreed not to transfer title to, or possession of, any defense article, unless the consent of the President is first obtained. The President shall not give his consent under this provision of AECA unless the U.S. itself would transfer the articles to that country. In addition, the President shall not give his consent to the transfer of significant defense articles on the U.S. Munitions List unless the transferring country agrees to demilitarize the equipment or the recipient nation agrees in writing that it will not further transfer the articles.

5. Under both the AECA and the FAA provision outlined above, the President must report a third country transfer to Congress after certain threshold requirements are reached. The President may not consent to a transfer of major defense equipment valued (in terms of its original acquisition cost) at more than $14 million or any defense article valued at more than $50 million (original acquisition cost) to a third country unless he submits a certification to the Speaker of the House and Senate Committee on Foreign Relations for congressional consent to the proposed transfer.

6. The written certification must contain (a) the name of the country proposing to make the transfer, (b) a description of the defense article or service proposed to be transferred, including its original acquisition cost, (c) the name of the proposed recipient, (d) the reasons for the proposed transfer, and (e) the date on which the transfer is proposed to be made. Such certification will be unclassified except that information regarding the dollar value and number of articles may be classified if public disclosure would be clearly detrimental to security of the United States. Consent to the transfer shall not become effective until 30 calendar days after the date of the submittal of the certification, and then only if Congress does not adopt a concurrent resolution disapproving the

proposed transfer. Note: legislative veto declared unconstitutional by Supreme Court in INS v. Chadha, 462 U.S. 919 (1983).)

7. Functions of the President under this section, with certain exceptions inapplicable here, were delegated to the Secretary of State by E.O. No. 11958, January 18, 1977, 42 Fed. Reg. 4311. With respect to consent to a third country transfer, the Secretary of State is authorized to find, in consultation with other federal departments and agencies, whether the proposed transfer will strengthen the security of the U.S. and promote world peace.

Other Considerations

8. Both the FAA and AECA require that consent be given to a third country transfer of defense articles only if the U.S. itself would transfer the articles to that country. This caveat triggers a panoply of general policy considerations and specific prohibitions relating to foreign military assistance including:

- no assistance to Communist countries unless the President finds and reports promptly to Congress that (1) such assistance is vital to U.S. security; (2) the recipient country is not controlled by the international Communist conspiracy; and (3) such assistance will promote the independence of the recipient country from Communism (22 U.S.C. § 2370(f));
- no assistance to countries engaging in or preparing for aggressive military efforts directed against the U.S. or FMS recipient nations, unless the President determines that military efforts or preparations have ceased and he reports to Congress that he has received satisfactory assurances they will not be renewed. (No other FAA waiver provisions may be used.) (22 U.S.C. § 2370(i);
- no assistance to countries that grant sanctuary to international terrorists; unless the President determines the national security justifies such assistance and reports his finding to the Speaker of the House and the Senate Committee on Foriegn Relations (22 U.S.C. §§ 2371, (FAA), 2753(f)(AECA); and
- no assistance to countries who have severed diplomatic relations with the U.S., or with whom the U.S. has

severed diplomatic relations, unless diplomatic relations are resumed and agreements for assistance are entered into after the resumption of diplomatic relations (22 U.S.C. § 2370(t)).

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DATE:

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SUBJECT: I.F.

DEFENDANT'S EXHIBIT
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by K. Johnson, National Security Council

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DATE	DATE	DATE

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FORM 8-82 26 OBSOLETE PREVIOUS EDITIONS

UNCLASSIFIED [redacted]

[illegible] JAN [illegible]

WORKING PAPER

MEMORANDUM FOR: General Counsel

FROM: George W. Clarke
Associate General Counsel

SUBJECT: Proposed Iran Finding (TS [redacted]

1. I believe there is sufficient legal authority to support a covert action Finding that would result in the transfer of military equipment to Iran for the purpose of (a) moderating Iran's hostile attitude toward the U.S., (b) preempting possible Soviet influence in the region, and (c) obtaining a hostage release. Such authority would be based upon a Presidential Finding under Hughes-Ryan that the operation is important to the national security, and upon the extraordinary authorities of the National Security Act. The Agency would purchase the equipment from DoD under the Economy Act and transfer the equipment abroad.

2. Attached are several memos prepared in the past on related issues. At Tab A are opinions of the Attorney General, the State Department, and this office stating there is authority for CIA to transfer equipment abroad outside the foreign assistance mechanisms. At Tab B is a 1983 memo that indicates there are no general prohibitions that would preclude CIA's sending equipment to Iran. I have confirmed that this is the case today. Further, I don't believe the Trading with the Enemy Act precludes the transfer, for two reasons. First, the Act itself makes trade unlawful unless conducted "with the license of the President." 50 U.S.C. App. § 3. Second, the Act simply was never intended to preclude acts of the Executive. Tab C contains two opinions on the inapplicability of the Neutrality Act to conduct sanctioned by the President that are relevant on this point.

3. One problem could arise, however, if the equipment to be transferred constitutes articles the U.S. has provided to a second country through the Foreign Assistance/Arms Export Control Acts. The memo at Tab D indicates a country may use material it has received through such U.S. foreign aid only for self defense and may retransfer it only in certain limited circumstances that require U.S. consent, notice to Congress, and the eligibility of the third country recipient for U.S. aid. Terrorist activities, among other things, can disqualify a potential recipient.

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by K. Johnson, National Security Council

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4. Finally, as you know, Congress recently passed the Intelligence Authorization Act to require reports of weapons transfers valued in excess of 1 million dollars as significant anticipated intelligence activities "for the purpose of" and, therefore, in accordance with, section 501 of the National Security Act. A copy of the relevant language is at Tab E.

George W. Clarke

Attachments

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DEFENDANT'S EXHIBIT 5 6-3-87

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WORKING PAPER

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MEMORANDUM FOR: General Counsel

FROM: George W. Clarke
Associate General Counsel

SUBJECT: Proposed Iran Finding (TS [redacted]

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4. Finally, as you know, Congress recently passed the Intelligence Authorization Act to require reports of weapons transfers valued in excess of 1 million dollars as significant anticipated intelligence activities "for the purpose of" and, therefore, in accordance with, section 501 of the National Security Act. A copy of the relevant language is at Tab E.

George W. Clarke

Attachments

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S.C.
Exh. 6

MEMORANDUM FOR: Stanley Sporkin
General Counsel

FROM: **W. George Jameson**
Assistant General Counsel

SUBJECT: Restrictions on Exports to Iran (S)

1. At your request, I spoke with James H. Michel, a Deputy Legal Adviser at the Department of State, to determine if there are any legal restrictions on CIA's providing equipment to, or otherwise "trading" with, Iran. Based upon prior research and my conversation with Jim Michel, it is my conclusion that there are no legal prohibitions applicable to CIA. You should be aware that U.S. laws merely restrict the private transfer of defense articles on the U.S. Munitions Control List, although a general policy embargo is in existence to guard against actions that might violate U.S. neutrality in the Iran-Iraq conflict. (S)

2. The question arose because [redacted] Agency officials have stated the State Department has legal concerns because of a general embargo on transactions with Iran. Although I did not present any specific facts to Mr. Michel, and spoke of Iran only in general terms, he confirmed our view that the embargo is a matter of policy, and that the restrictions on transfers to Iran are those contained in U.S. export control laws, in particular the Arms Export Control Act. These laws do not prohibit all exports, but establish a licensing scheme for approval of exports by private parties on a case-by-case basis. The executive orders issued during the hostage crisis to prohibit virtually all commercial dealings with Iran have been rescinded. (S)

3. You may recall that last year the State Department's Legal Adviser addressed CIA's authority to transfer arms [redacted] At that time we, State, and the Attorney General concluded that CIA's authorities under the National Security Act of 1947 enable the Agency to transfer arms notwithstanding arms control laws that might preclude such transfers if made by other parties. I did not raise this with Mr. Michel yesterday, but I believe the

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point is still valid. CIA is not subject to those legal constraints. (S)

4. Although there is no broad legal provision that would preclude CIA's passing defense articles to Iran in the course of an authorized intelligence activity [redacted] Furnishing arms despite the U.S. position of neutrality in the Iran-Iraq conflict could be considered a non-neutral act and affect the legal dispute over U.S. refusal to export Iranian-owned military equipment currently in the United States. The U.S. position is that Iran does not meet the criteria for an export license under the Arms Export Control Act, in part because it is a belligerent in an international conflict with respect to which the U.S. has maintained neutrality. Agency dealings with Iran at this time could weaken the U.S. position. (S)

5. In conclusion there are no general legal restrictions that would preclude the CIA from providing equipment to Iran as proposed. Rather, the relevant constraints involve policy considerations that may have to be weighed before undertaking the activity proposed. (S)

W- George Jameson
W. George Jameson

UNCLASSIFIED
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[illegible] Attorney General
Washington, D.C. 20530

5 Oct 81
1600
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UNCLASSIFIED

OCTOBER 5, 1981

EXh 7

The Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

Re: CIA Exchange of U.S. Weaponry
for [redacted] (S)

Dear Bill:

We have been advised by the State Department's Legal Adviser that the Foreign Assistance Act and the Arms Export Control Act were not intended, and have not been applied, by Congress to be the exclusive means for sales of U.S. weapons to foreign countries and that the President may approve a transfer outside the context of those statutes. Accordingly, I believe the exchange for [redacted] may be legally completed, based upon a determination by the President that these Acts cannot be used and that the authorities of the Economy Act and National Security Act may be utilized to achieve a significant intelligence objective. In order to satisfy the Congressional reporting requirements imposed on the Secretary of Defense under DoD Appropriations Authorization Acts (10 U.S.C. 133, Note) and on you by the Intelligence Oversight Act of 1980 (50 U.S.C. 413), the House and Senate Intelligence Committees should be informed of this proposal and the President's determinations. (S)

Sincerely,

Bill

WILLIAM FRENCH SMITH
Attorney General

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under provisions of E.O. 12356
by B. Reger, National Security Council

3017

Classified by Derivative: State Department
Memorandum of Law, October 2, 1981.
Review for Declassification: 10/2/2001.

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6-3-87

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DCI
13 Jan 1986

The Israelis are moving ahead on their Tow for Hostage deal with the Iranians. You will recall that in Sporkin's legal analysis there were two options: one for DoD to do it directly with the Israelis, the other to do it through CIA. Sporkin feels that the most defensible way to do it from a legal standpoint is through CIA. We prefer keeping CIA out of the execution even though a Presidential Finding would authorize the way Defense would have to handle the transactions.

Under this option, the idea was that the Israelis would buy the improved version of the Tow and ship to the Iranians the basic Tows they now have. The Israelis would then replace those basic Tows by buying the improved version. Unfortunately, there is not enough money available to do this. The Iranians have placed $22 million in an account in Switzerland. This is enough for the basic Tows, but for the Israelis to buy the improved version it would cost about $44 million.

Therefore, they want to use the second option under which CIA would buy 4,000 basic Tows from DoD for $21 million. As far as Defense is concerned these purchases would be for general CIA uses [redacted] The money for the Iranian account would be transferred to the Israelis. The Israelis would transfer that money to a CIA account to pay for this purchase of the Tows from DoD, the shippers would move the Tows to the Israelis who would then move them on to the Iranians. The Israelis would keep their basic Tows and the problem of upgrading them to the new Tows would be handled in the normal DoD-Israeli relationship.

I am told that time is of the essence in getting this done [redacted] the situation in Lebanon is deteriorating so that any delay reduces the prospects of getting the hostages out of Lebanon. [redacted]

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15 JAN 86

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2	None	OGC/ICA, [redacted]	cp

SUBJECT

MFR - T. C. f. GC R. A. t. P. h. t. T. P. P. t. P. F.

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by K. Johnson, National Security Council

DEPOSITION EXHIBIT
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6-3-87

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BY (Signature)	WITNESSED BY (Signature)	BY (Signature)
DIRECTORATE & AREA OFFICE	DIRECTORATE & AREA OFFICE	DIRECTORATE & AREA OFFICE
DATE	DATE	DATE

FORM 8-82 26 OBSOLETE PREVIOUS EDITIONS

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CIIN #10,

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UNCLASSIFIED [redacted]

15 January 1986
1440 Hours

MEMORANDUM FOR THE RECORD

FROM: George W. Clarke
Associate General Counsel

SUBJECT: Telephone Call from General Counsel Regarding Authority to Provide Weapons to Third Parties Pursuant to Presidential Findings

1. At approximately 1420 hours today I received a secure line telephone call from the General Counsel. He wanted to discuss whether I saw any problems or reporting requirements with a proposal to have DoD provide weapons to a CIA "agent" who would pay for the weapons with money supplied by a friendly third country. The agent would then supply the weapons to the intended recipient country. The agent would have no connection with CIA other than to act as a "middle man" with our authority.

2. I told the General Counsel that I would feel more comfortable if CIA were directly involved in the activity and that it would be essential that we act in furtherance of a traditional covert action objective. I said that I could foresee problems if this activity were merely intended to rotate a specific country's stock of weapons. (We had been considering since 10 January a proposal to provide missiles to Israel that would, in part, be to secure the return of U.S. citizens held by or under the control of Iran. As originally explained, Israel would keep the newer missiles supplied by us and give Iran older missiles currently held by Israel. According to the General Counsel, this activity was authorized by a signed Presidential Finding which he worked out with Oliver North on 10-11 January 1986.)

3. Despite repeated urgings to concur in variations that would have DoD provide the weapons without other than token CIA involvement, I did not do so. (At one point, Mr. North came on the line to "clarify" the hypothetical facts for me and then put Stan Sporkin back on the line.) I had previously urged both the General Counsel and Deputy General Counsel to obtain a copy of the Presidential Finding from Mr. North so we could determine what was intended to be authorized. These efforts proved unsuccessful.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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4. I repeatedly told the General Counsel that I could not make the legal determination he was seeking without the facts. Before I changed offices (I was in the middle of a meeting when the General Counsel called) George Jameson overheard my remarks to this effect.

GWC

George W. Clarke

11 March 1986

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1/18/86
15 JAN 86

UNCLASSIFIED

EX#10

TRANSMITTAL SLIP DATE 15 Jan 86

TO
The Director

ROOM NO. BUILDING

REMARKS

Bill:

Here are the Talking Points you asked me for today.

Stanley Sporkin

FROM:

ROOM NO. BUILDING EXTENSION

FORM NO. 1 FEB 56 241 REPLACES FORM 36-8 WHICH MAY BE USED

1140

Partially Declassified/Released on 22 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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CIIN #109

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DATE	DATE	DATE

FORM 26 OBSOLETE PREVIOUS EDITIONS

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UNCLASSI[redacted]D

OGC-86-50167
15 January 1986

TALKING POINTS

-- Whether existing statutes and regulations control the manner and method in which the DoD can sell weapons to third parties is an issue that DoD must determine. From a CIA standpoint, since there is a presidential finding, CIA is authorized to assist in the obtaining of the materiel in question. If CIA actually took control of materiel through an Economy Act transfer by DoD, this would seem to be the preferred way to handle the proposal from a legal standpoint. This would provide the maximum use of CIA authorities.

-- If CIA merely acts as an accommodation party and, in effect, requests DoD to deal with a particular agent, this might also be proper but it would be up to DoD to tell us whether their authorities would allow such a transaction outside of the Economy Act. We have found no such precedent.

-- The key issue in this entire matter revolves around whether or not there will be reports made to Congress. Each of the Acts involved--the Foreign Assistance Act, the Arms Export Control Act and indeed the National Security Act as amended--have certain reporting provisions in them. While the National Security Act provides for a certain limited reporting procedure, it is my view that there may be other ways of making a suitable report by exercise of the President's constitutional prerogatives.

-- One such possibility would be not to report the activity until after it has been successfully concluded and to brief only the chairman and ranking minority members of

OGCR TS 0802-86
Copy 1 of 2

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the two Oversight Committees. This would maximize the security of the mission and reduce the possibility of its premature disclosure.1/

-- In this way, you will have limited the number of persons having access to the information and also be assured that there will be no disclosure of the information until after the activity has been successfully completed. I repeat again that it is the various reporting requirements that seem to be dictating how we can proceed. If there can be an agreement that a report will be made, it minimizes the risk inherent in any such undertaking, and the way that the project is carried out can then be put on a less fractious basis.

-- Finally, whatever plan is adopted, such action should be taken only after it has been discussed with the Attorney General, the Secretary of Defense, the Secretary of State, and the Assistant to the President for National Security Affairs.

1/ As you know, the Act itself provides for a report to be limited to the chairman and ranking minority members of the intelligence committees, the Speaker and minority leader of the House of Representatives, and the majority and minority leaders of the Senate.

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1/6/86
6 JAN 86
N 8086

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

Ex #11

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services and third countries, — and third parties — which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counterintelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date: 6 January 1986

OGCR TS 0801-86
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TOP SECRET

Ronald Reagan

TOP SECRET/[redacted]

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17 JAN 86

UNCLASSIFIED [redacted]

N 8085

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	**DESCRIPTION**
Iran	Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

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The White House
Washington, D.C.
Date January 17,

OGCR TS 0801-86
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17 JAN 86
06-4068M-3

MILESTONES

I. Executive decision to proceed.

II. Negotiations with the accommodating 3rd party and ultimate recipient regarding shipment, delivery and payment.

Possible scenarios:

I 0405

Arrange transportation/shipment with cooperating intermediary.

Equipment will not be shipped directly to X, but to a cooperating intermediary.

The Agency will receive payment in advance from X for one-quarter of the equipment.

The Agency will procure and deliver to X one-quarter of the equipment.

After X receives one-quarter of the equipment, X will turn over to the Agency the materials it has been holding.

X will then provide the Agency with funds for the remaining three-quarters of the equipment which will then be procured by the Agency and delivered to X.

Funds will be transferred by X from its Swiss bank account to a foreign bank account established by the Agency but with no Agency overt connection.

Funds will be transferred from the Agency's foreign bank account to the military in a manner consistent with the military needs.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

III. CIA initiates Economy Act Transaction with DOD (statutory authority attached)

A. Prepare Economy Act Agreement

1) Oral or written

Discussions with military to ascertain how it needs to book this transaction with respect to sale of its equipment and receipt of payment for the equipment.

DEPOSITION
EXHIBIT
GW-13
6-3-87

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2) What level within DOD

3) Overt or classified transaction

B. Arrange for delivery of equipment to CIA custody.

Establishment of shipment mechanism and necessary liaison with military.

1) From where to where

2) Mode of transport

I 0406

3) Schedule of delivery

C. Agreement as to method and timing of payment to DOD

1) Type of payment (cash or check)

2) What will be the recipient DOD agency

IV. CIA initiates positioning, or delivery of equipment to ultimate recipient

A. Nature of activity

1) Overt - (military transport to accommodating party)

2) Covert - Proprietary

B. Prepare for equipment movement

1) Location of deliveries

2) Schedule of deliveries

3) Mode of transportation (black or white)

DOD transport

Agency owned aircraft (Proprietary)

Commercial (charter)

4) Number of shipments

C. Prepare for movement of funds

1) Establish throw-away bank account for receipt of funds for procurement

a. (Who will do it)

b. (Where)

c. (Nature of Account)

  1. Proprietary account

  2. Non-proprietary account

  3. Corporate/personal account

d. Role of Office of Finance

V. Prepare plan for receipt of reciprocal items

VI. Prepare plan for shipment of remainder of equipment and receipt of balance of funds

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17 January 1986
2:00 DRAFT

0408

1. Equipment will be procured by the Agency from military and in turn delivered to X.

2. Equipment will not be shipped directly to X, but to a cooperating intermediary.

3. The Agency will receive payment in advance from X for one-quarter of the equipment.

4. The Agency will procure and deliver to X one-quarter of the equipment.

5. After X receives one-quarter of the equipment, X will turn over to the Agency the materials it has been holding.

6. X will then provide the Agency with funds for the remaining three-quarters of the equipment which will then be procured by the Agency and delivered to X.

7. Funds will be transferred by X from its Swiss bank account to a foreign bank account established by the Agency but with no Agency overt connection.

8. Funds will be transferred from the Agency's foreign bank account to the military in a manner consistent with the military needs.

9. Equipment will be shipped out black:

   A. Agency procured charter.

   B. Existing Agency-owned aircraft.

   C. Military transport (requires discussion with military).

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TO BE DONE:

1. Discussions with military to ascertain how it needs to book this transaction with respect to sale of its equipment and receipt of payment for the equipment.

2. Establishment of Agency foreign bank account for receipt of funds for procurement.

    A. (Who will do it)

    B. (Where)

    C. (Nature of Account)

        1. Proprietary account.

        2. Non-proprietary account.

        3. Corporate/personal account.

    D. Role of Office of Finance.

I 0409

3. Establishment of shipment mechanism and necessary liaison with military.

4. Arrange transportation/shipment with cooperating intermediary.

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OPTIONS

1. Use CIA authorities to acquire new weapons from DoD and then pass them through Israelis to Iran.

Pros

I 0410

-- There's precedent/authority Sen, I/A

-- No FMS reports needed

-- No unnecessary overlap between FMS and covert action

-- It's a straight covert action operation

Cons

-- Failure to report raises political sensitivities

~~2. Have Israelis pass the weapons they have and we replace them with new ones.~~

~~Pros~~

~~-- Argue it's all covered by the Finding (Israel acting only for U.S.)~~

~~-- Don't report under FMS because it would frustrate intent to use covert action~~

~~-- Argue Presidential authorities are broad enough to handle situation not contemplated by current law~~

~~Cons~~

~~-- Means withholding notice under two laws instead of one (i.e. FMS and oversight act)~~

~~-- This will mean passing weapons covertly even though they've already been subject of public discussion under FMS~~

3 USE OF FOREIGN WEAPONS

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6-3-87

19 November 1986

Partially Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
K. Johnson, National Security Council

MEMORANDUM FOR: George W. Clarke
Associate Deputy General Counsel

FROM: Kathleen M. Watson
Office of General Counsel

SUBJECT: Legality of DCI's Withholding Prior Notice of Agency's Expenditure of Funds for Transportation and Travel Costs Related to the Transfer of Military Equipment to Iran

5177

1. Background: Pursuant to a Presidential Finding, the Agency has participated in a covert operation in which arms were shipped to Iran. The President ordered the Director of Central Intelligence (DCI) not to inform the intelligence committees of this operation due to the extreme sensitivity generated by contacts with Iran. The intelligence committees are now challenging the legality of the Agency's action, claiming that the Agency employed its funds to meet transportation and travel expenses related to the arms transfer and that this expenditure was not specifically authorized as required by section 502(a) of the National Security Act of 1947. It is the opinion of this Office that the funds were specifically authorized by the Congress for the purpose for which they were employed and that the President, pursuant to his constitutional prerogative, had the authority to direct the DCI to withhold prior notification of the covert operation pursuant to section 501(a)(1) of the National Security Act of 1947. 1/

2. Inapplicability of Section 502(a)(3) of the National Security Act of 1947: The intelligence committees have asserted that the DCI was obligated, pursuant to section 502(a)(3), to notify the intelligence committees of his intention to make funds available to meet transportation and travel expenses which were incidental to the recent United States arms transfers to Iran. The notification requirement contained in section 502(a)(3) applies only when the DCI intends to employ funds for a program which is different from the program for which the funds were specifically authorized

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1/ The applicable statutory provisions are attached.

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Executive Registry 7443

by the Congress. H.R. 106, 99th Cong., 1st Sess. (1985). In the situation at hand, the Agency used funds contained in the Near East [redacted] operating budget. Congress specifically authorized the funds in the Near East [redacted] budget for [redacted] Because the Agency spent the relevant funds on [redacted] activities related to Iran (transportation and travel costs involved in the arms transfer), the Agency, in fact, spent its money on the same type of activity for which the funds were specifically authorized by Congress. Thus, section 502(a)(3) does not apply in this situation because the Agency did not spend its funds on a different activity than the one for which those funds were specifically authorized. Accordingly, the DCI was not obligated to report this expenditure to the intelligence committees pursuant to section 502(a)(3).

3. Applicability of Limitation on Prior Notice Contained in Section 501(a)(1) of the National Security Act of 1947: Section 501(a)(1) requires the DCI to give Congress prior notification of all covert operations to the extent such notification is consistent with the President's constitutional duties and authorities. Section 501(a) governs the situation at hand because the disputed transportation expenses were part of a covert operation; therefore, the DCI would have been required to give prior notice to Congress had the President not exercised his constitutional authority. The legislative history of section 501 clearly indicates that the President may decide to act without prior notice in those rare situations in which prior notice is impracticable due to the time delays involved. S. Rept. No. 96-730, 96th Cong., 2nd Sess. at 9 (1980). The President, in this situation, ordered the DCI to withhold prior notice due to the extreme sensitivity of contacts with Iran. Accordingly, the DCI did not violate the letter or spirit of section 501(a) by withholding from Congress prior notice of the expenditure of funds for travel expenses related to the arms transfer due to the implicit recognition in section 501(a) that the President has the constitutional authority to direct the DCI to withhold prior notice of covert actions.

4. Conflict Between Reporting Requirements Contained in Section 501(a) and Those in Section 502(a): In the event section 502(a)(3) were applicable in this situation because funds were employed for a different activity than that which was specifically authorized by Congress, there would be a direct conflict between the reporting obligations contained in section 502(a) and those in section 501(a). Section 502(a)(3) requires the DCI to notify the oversight committees when funds specifically authorized by Congress are employed for a different activity than that which was specifically

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authorized. Section 501(a), on the other hand, indicates that prior notification of covert operations may be withheld from Congress in those very rare circumstances where the President exercises ~~his~~ constitutional prerogative.

5. Both the legislative history and language of section 502(a) and the report language discussing section 103 of the Intelligence Authorization Act for FY 1983 2/ indicate that when the reporting obligations set forth in sections 501(a) and 502(a) conflict, the result mandated by section 501 should prevail. The clear language of section 502(a)(2) indicates that when funds are withdrawn from the Reserve for Contingencies to use for an intelligence or intelligence-related activity, the DCI is to notify the intelligence committees in a manner which is consistent with the provisions of section 501. Therefore, section 502(a)(2) explicitly states that in case of a conflict between the reporting obligations contained in section 501(a) and 502(a)(2), the result mandated by section 501(a) is to prevail.

6. Because the Executive has maintained his position regarding the supremacy of the reporting requirements set forth in section 501 since before the enactment of section 502, general principles of understanding and construction lead one to conclude that section 501 maintained its preeminent position after the enactment of section 502. According to the Conference Report on the Intelligence Authorization Act for FY 1986,

> concern was expressed that extremely unusual circumstances could be imagined in which prior notice to congressional committees of an activity might not be required by Section 501 of the National Security Act of 1947, but the method of funding the activity might require prior notice to congressional committees under Section 502 . . .. If [such an issue should arise], resolution of the issue should be guided by the principles of comity and mutual understanding as set forth in the statement of managers accompanying the conference report which included Section 501 of the National Security Act. H.R. 373, 99th Cong., 1st Sess. (1986). 3/

The principles of construction and interpretation clearly indicate that the result mandated by section 501 should prevail because it is simply illogical to say that when the source of funds employed for an intelligence activity is the contingency reserve, the reporting obligations of section 501(a) are supreme; and, that when the source of funds is funds

---

2/ Section 103 of the Intelligence Authorization Act for FY 1983 was the predecessor to section 502(a)(2).

3/ The HPSCI report on the fiscal year 1983 Intelligence Authorization Bill, the Bill enacting section 103 which was the predecessor to section 502, raised the identical concern and suggested the same resolution of the potential conflict.

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specifically authorized for a different activity, the reporting obligations of section 502(a)(3) prevail. The principles of interpretation and the mutual understanding achieved, as indicated in the congressional reports, certainly mandate that in the case of either conflict, the resolution of the conflict should be the same, and that is the resolution set forth in section 501, as explicitly mandated by the language of section 502(a)(2). In addition, even if section 502(a)(3) were applicable in this situation, the President had the constitutional authority, as acknowledged in section 501(a), to direct that prior notification of the covert operation be withheld from Congress. Moreover, the recognition in a statute of a constitutional authority of the President is not a condition precedent to his exercise of that authority.

7. Although a portion of this memorandum is dedicated to explaining the resolution of the potential conflict posed by the reporting requirements contained in sections 501(a) and 502(a), it is necessary to reemphasize that section 502(a)(3) does not apply to the situation at hand. First of all, the funds were employed for a program for which Congress had specifically authorized funds. Furthermore, in the event this was an NSC-mandated country covert action program, the reprogramming guidelines indicate that congressional notification is required only when a reprogramming increases or decreases funding for the activity. No increase or decrease in funding for the covert operation occurred as a result of the Agency expenditures at issue. In the event the program at issue was not an NSC-mandated country covert action program, then the intelligence committees' standing reprogramming guidelines may apply. Because the expenditure of funds used to meet costs involved in the arms transfer to Iran could be considered an item of special congressional interest or an action which, if disclosed, could have signigicant international policy implications, the guidelines would suggest that the committees be notified. However, it is the opinion of the Office of General Counsel that these guidelines do not have the force and effect of law because they are only contained in the text of congressional reports. Because report language is not law, the Agency is not legally obligated to follow the guidelines suggested in the congressional reports. Therefore, the DCI did not violate section 502(a)(3) by withholding prior notification of the expenditure of Agency funds.

8. Conclusion: The DCI did not violate the letter or spirit of section 502(a)(3) by withholding prior notice from Congress of the expenditure of Agency funds to meet transportation costs which were incidental to the arms transfer to Iran. Section 502(a)(3) is inapplicable because the source of the funds used to meet travel and transportation costs was the Near East [redacted] operating budget. The funds

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contained in that budget were specifically authorized by Congress for [redacted] The transportation and travel expenses were expenses incident to [redacted] activities related to Iran and, thus, the funds were not used for an activity different from that for which the funds were specifically authorized by Congress. Even in the event that section 502(a)(3) did apply in this situation, the DCI would still not have been required to give prior notification of the activity to Congress, as it is unclear whether the reprogramming guidelines would have required congressional notification of this expenditure. Moreover, the principles of interpretation and the mutual understanding achieved prior to the enactment of section 502 dictate that in the case of conflict between the reporting obligations contained in sections 501(a) and 502(a), those obligations contained in section 501(a) prevail. Section 501(a) implicitly recognizes that, in very rare circumstances, the President has the constitutional prerogative to direct the DCI to withhold prior notice of covert operations. The President, in this situation, exercised his constitutional prerogative in order to protect the extreme sensitivity of contacts with Iran and the DCI merely followed this legally permissible executive direction.

Kathleen M. Watson

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ORIGINAL

DEPOSITION OF
DEWEY R. CLARRIDGE

Select Committee to Investigate
Covert Arms Transactions with
Iran,
U.S. House of Representatives,
Washington, D.C.

Monday, April 27, 1987

Declassified/Released on Aug 14, 1987
under provisions of E.O. 12356
by National Security Council

The deposition convened at 9:50 a.m., in Room B-352, Rayburn House Office Building.

Present: W. Neil Eggleston, Deputy Chief Counsel; George Van Cleve, Deputy Minority Counsel; and Richard Giza, Professional Staff Member, House Select Committee to Investigate Covert Arms Transactions with Iran.

Paul Barbadoro, Deputy Chief Counsel; and Thomas Polgar, Investigator, Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition.

Kathleen A. McGinn, Assistant General Counsel, Office of General Counsel; and John Rizzo, Deputy Director, Office of Congressional Affairs, Central Intelligence Agency.

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Whereupon,

DEWEY R. CLARRIDGE

was called as a witness and, having been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. EGGLESTON:

Q Mr. Clarridge, so the record is clear, I am Neil Eggleston, Deputy Chief Counsel of the House Select Committee to Investigate Covert Arms Transactions with Iran.

Also present from the House Committee today is George Van cleve, Chief Minority Counsel, and Dick Giza, who is Associate Staff with our committee at present, and he is also, as you know, a staff member with the House Intelligence Committee. Paul Barbadoro, Deputy Chief Counsel of the Senate Select Committee, should be here shortly.

I intend to ask you background questions until he gets here.

This inquiry is being conducted pursuant to House Resolution 12 and rules passed pursuant to that. It is an inquiry set forth in the resolution which establishes a committee to investigate both activities with regard to the arms aspect of United States dealings with Iran and also activities involving the contras.

So, it is pursuant to that this deposition is being conducted.

The Senate has a similar and analogous, and substantially identical in a lot of ways, resolution. If Mr. Barbadoro were here, his questions would be asked pursuant to that investigation. I think we previously provided copies of the resolution and the rules to the agency.

I don't have them here with me. If you want a copy of them, I will be glad to provide them to you.

MR. RIZZO: I have a copy.

MR. EGGLESTON: I am sure the Senate will do the same thing.

BY MR. EGGLESTON:

Q Would you tell us essentially when you, just in a narrative form, when you began with the agency and the nature of your assignments up until, I guess, 1981.

A Okay. [redacted]

[redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

Q How long did you remain [redacted] the LA division?

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A Until 1 October, or around that time, 1984.

[redacted]

Q Sticking with you for a second, where did you go?

A I went -- then I went as chief of European division.

Q Right.

A [redacted]

Q

A

Q How long did you remain there?

A Let's see. I guess officially -- mid-February 1986.

[redacted]

[redacted]

[redacted]

MR. EGGLESTON: Let's go off the record for a second.

(Discussion off the record.)

BY MR. EGGLESTON:

[redacted]

Q Let me direct your attention initially to November of 1985. Did there come a time in November of 1985 when you were contacted about a NSC operation?

A That is correct.

Q Do you recall when that was in 1985?

A It was -- I think the first call I had on it was on the 21st of November.

Q Who was that call from?

A Ollie North.

Q Do you remember what time of the day it was on the 21st?

A I think it was in the night.

Q Were you in your office?

A No. I don't think I was in my office. I think I was at home.

Q Do you know where he was?

A I think he was in the office.

Q What did he --

A I can't be sure of that. I am sort of guessing.

Q I take it you already knew Ollie North?

A Oh, yes.

Q What did he tell you during that phone call?

A He just said that they needed to get a flight clearance for an aircraft coming into [redacted]

Q One aircraft?

A At that time I believe it was one aircraft.

Q Did he tell you why he was calling you?

A Because I am -- you know, if you are going to get anything done in [redacted] I am the person that gets it done.

Q Did he tell you where the flight was going to be coming in?

A I don't know whether he told me on the first call or not. I can't be sure of that.

Q How much more -- do you remember anything else he told you during the first telephone call?

A No. No, I don't. All I know is that I activated [redacted] to stand by for some traffic.

Q [redacted]

A

Q

A

Q

A

Q After getting his phone call, what did you do?

A I believe I called the [redacted] branch chief and asked him to go in the office.

Q The [redacted] branch chief is a person who works here at headquarters?

A That is right.

Q What did you tell him to do?

A I told him -- well, I don't remember exactly what I told him to do except that I know that two messages were sent asking the [redacted] [redacted] to stand by.

Q Before we get into that, let me ask you this question first.

There are a series of cables sent then between November -- I think the first one we have may be November 22 in the very early morning hours, at least zulu time, in the early morning hours, late afternoon of the 21st, a series of cables sent between that time and mid-December of 1985.

In preparing for your testimony here, have you had a chance to review those?

A No, I haven't.

Q So, you have not looked at those?

A In some time.

Q When is the last time you looked over these cables?

A Oh, I would guess it is back in December, maybe.

Q Back in December?

A Yes.

Q Was that in preparation for testimony before another body?

A Actually, I think I just -- when I asked for European division, if they still had the cable traffic, they sent up the cable, and I think I saw it -- looked through them, you know, any great detail.

Q And you maintained them, then, in your files?

A No. They were turned over to -- I don't know -- the IG.

Q When you got them in December of 1986, from the European division, where did you get them from? How did you get them from the European division? Where were they physically?

A I don't know. I simply asked my secretary to call the secretary down at the EUR division and say did they still have that file. By good luck, she did.

Q Is this a file you maintained at the time yourself?

A Well, you know, I really can't say. I may have put some cables into it. The secretary did. We both did.

Q What I am asking you is how did this -- how did this file happen to be maintained in the European division? What is it? Is this a standard process that this file would be maintained in the European division?

A Yes. This was -- all of this cable traffic was in our -- what do you call it -- the privacy channel, and has a special slug.

Normally, we maintain files usually by station on that traffic for a period of time, and in this case, because it was sort of ongoing, we just kept a file on this particular case, I guess.

Q On a cable such as this, how many copies of the cable are made, both the cable sent from headquarters out to the station and copies of cables from the station to headquarters?

A Well, I don't know.

When we are sending it outgoing, we type up a cable and take it down to the cable secretariat. They then distribute -- as we call it, the come-back copies.

In this case, I think the come-back copies came to the European division and also to the DEO and may in some cases have gone to the DCI or the DDCI.

Q Can you tell by looking at each individual cable where the copies might have gone?

A Yes.

Q You can -- is there a central file where these -- where copies of these cables would have been maintained, an official file?

A Well, I don't know that much about the whole cable, you know, set-up, as far as privacy traffic is concerned, whether there is a central point or not.

Q If these privacy channel cables, I take it, are cables that are of the highest sensitivity -- that is why they are labled "privacy channel"?

A They are sort of like a telephone call, or in lieu of a telephone call. That is usually the way they are described.

Q But they must -- it is not routine matters that are dealt with over a privacy channel? Certainly this wasn't a routine matter?

A No. True. Often times, they are personnel matters.

Q Okay.

You mean they may be sensitive for various different reasons.

A Yes.

Q It may be because there is a sensitive operation.

A Or it could be because of personnel.

Q A sensitive personnel problem?

A Yes.

Q Assuming it is sensitive because of a sensitive operation, I would think it would be important for the agency to maintain a copy of what it has done as it is proceeding through the course of the sensitive operation.

A That is why we maintain the file.

Q So -- but the question that I have for you is did you -- are you the person who maintains the file? Are you the person who creates, then, and holds what would be regarded as the official agency file on this operation?

A In this case, as I said before, I don't know whether I caused the file to be set up or the secretary caused the file to be set up, who, you know -- who, in each case, put each piece of paper in there. I simply can not say.

Q Do you have a recollection as to this matter there was a secretary who was involved in maintaining this file?

A Yes. I think we both were, probably.

Q Both you and your secretary?

A Yes, as best as I can recall.

Q So, this was not an operation that was so sensitive your secretary was not involved in it?

A That is correct.

Q If copies went to the DDO, would the DDO also maintain an official file?

A Well, I guess that is up to them.

Q As a matter of routine, do you know whether they would maintain an official file?

I take it there are various cables that must be distributed. Somebody must be designated as the person who is maintaining the file. Other people may get copies. They can either put them in the file or not, but someone must be designated or there must be some point at which official agency traffic is deemed a place where that traffic is filed.

As to this operation, was the -- were you, as the chief of the European division, that person?

A Well, on privacy channel traffic, as I say, we usually maintain it for a period of time, yes.

Q And I don't mean to be obtuse in this. Does that mean there would have been a period of time where you would have destroyed this traffic?

A No. I don't see any reason there. It could have been destroyed. Fortunately, it wasn't.

Q Okay.

So, there may have been an agency decision. Although in this particular case there wasn't, there may have been an actual agency decision to destroy this traffic?

A No, I don't think there is an agency decision. I think it seems like every division sort of has its own procedures on how long they keep traffic in this particular channel, and they don't.

Q Did the European division have a particular time as of that time?

A It usually depends on the secretary or the division chief or both to sort of decide.

Q What I am hearing from you, then, is that -- is that it is possible that as to any particular operation, even one covered by the privacy channel, there may be a decision to destroy the official file.

MS. MCGINN: Oject to the question.

I think there is confusion here, Mr. Eggleston. These are not considered official filings. I think that is where -- as I understand it, I think that is where the confusion comes from.

BY MR. EGGLESTON:

Q Is there some other place where the official file of this operation is maintained other than the European division? I asked him that earlier. I thought he said --

A To my knowledge, no.

Q As to this particular operation, if there is an official file, the file maintained by the European division was the official file?

MS. MCGINN: I think the question is whether there is an official file of privacy channel communications. I think that is where the confusion comes from.

MR. EGGLESTON: I am willing to ask that.

THE WITNESS: The question is, is there an official file?

BY MR. EGGLESTON:

Q The question I am asking --

A I am not trying to be obtuse on this thing.

Q No.

A Apparently, the agency does not have in privacy channels, there is no sort of official file. Is that correct?

MR. RIZZO: Right.

THE WITNESS: What you have is informal files. I guess you would call them that.

BY MR. EGGLESTON:

Q Okay.

So, if there is an informal file maintained --

A This was the informal file.

Q This was the informal file?

Do you know whether -- do you know whether anyone else -- let me ask you this. Let me withdraw that and ask you this question.

Let me show you the first file. So the record is clear, for the purposes of this, when I refer to a document, rather than having them marked by the court reporter each time, because I think that will end up taking us forever, there is a number at the bottom of each one that is CIIN. I will refer to the document by its CIIN number. I may forget to say "CIIN." If I do, I am talking about the number.

The first one I have is number 2130. Could you -- at the very top of this, it makes reference --

A In other words, the director -- deputy director of operation received three copies.

Q What is the next? It says "info colon."

A "File."

Q What does that mean?

A I haven't any idea.

Q Does that mean that it went into a file? A copy of it went into a file?

A You have to talk to some records expert.

Q You don't know what that means?

A No.

Q How about the next designation, [redacted]. Do you know what that means?

A No.

The next is "DDO records." I suppose that is DDO records.

"Chief EPO" -- I have no idea who EPO is, unless that is a misprint of [redacted]

"Chief EUR[redacted] Chief EUR[redacted] -- that would be because it went to [redacted]

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Q Chief EUR[redacted] means?

A [redacted]

Q Who is that?

A Let's see. At that time, that was a lady. What is her name? I just don't recall her name right now. Now you see, this one is not a privacy message.

Q Okay. I will get to one of those. I thought I would start with this one, since it was the first one. [redacted] means -- dash three?

A Chief, European Division, [redacted] Branch.

Q Does that mean they got three copies?

A That is what it says, yes.

Q What is the next one?

A I have no idea. [redacted] No. Print and [redacted] file, no idea.

Q You don't know what they mean either?

A No.

Q And I think that you told us this before, but by looking at each of these, how can you tell they are a privacy channel?

A It is that [redacted] I don't know which one you are looking at.

Q I have another one I can show you which is number 2152.

A Yes. That one is a privacy channel message.

Q You can tell that because it says [redacted]

A [redacted]

Q What is the next?

A I am sorry. I haven't got the foggiest.

Q The next?

A That sounds like -- that looks like it is advance notify chief EUR registry eyes only.

Q What does that mean?

A The Chief EUR registry, that is the registry which receives the cable traffic within the division, was -- had advance notification that this cable had come in and it was eyes only.

Q You can tell from the face of this, I take it it comes from [redacted] to the Director?

A That is correct. Chief EUR got three copies and DO got three copies. What the rest of that means, I haven't a clue.

Q The info, colon, print comma, [redacted] and file, comma, you don't know what they mean?

A No.

Q If I were to ask you whether the file designation means they were placed in some official file, you would tell me you don't know if those, what it means?

A I am sorry, I don't.

Q Before I continue with this, let me ask you the state of your knowledge about this initiative as of the time Colonel North called you on November 21? Did you have any knowledge as of that time that the NSC was involved in an operation that involved arms and hostages?

A No, I did not.

Q At that time, did you know Charlie Allen?

A I just knew the name.

Q You did not know Charlie personally?

A No.

Q There comes a time later when Mr. Allen ends up assigned to [redacted] is that right?

A Assigned to [redacted] those -- he actually was never assigned there on paper. He remains the NIO for Counterterrorism.

Q Was he physically located?

A Physically located with us, yes.

Q Where was his office during that time with relation to your office?

A You mean 1985 or now?

Q I am talking about as of the time that the [redacted] was created.

A Two doors down from mine.

Q Did you know -- excuse me, Tow missiles had been sent from Israel to Iran in August and September of 1985?

A No, I didn't.

Q YOu had not knowledge of that?

A No, I did not.

Q Were you aware there had been intelligence collection during the fall of 1985 which related to this initiative?

A I was only -- became aware of that when Charlie Allen showed me [redacted] that something was going on in regard to Iran. I frankly do not recall what it was that he showed me.

Q Before we get to this -- when were [redacted] shown to you?

A I cannot be precise on that. I suspect though, it must have been Friday morning.

Q Friday would have been -- I am sorry.

A In other words, if we had started sending traffic to [redacted] on the -- o n Thursday, then I suspect I would have seen the [redacted] that he had on Friday.

Q Before I get to that, did the name Ghorbanifar mean anything to you as of late November of 1985?

A No, it didn't.

Q Did the name [redacted] mean anything to you as of that date?

A No.

Q Had you ever heard that name before?

A No.

Q Did you -- did you know anything about a fabricator notice having been sent out on Ghorbanifar as of that time?

A No, not as of that time.

Q Did you know a man by the name of Cyrus Hashemi?

A No.

Q That is not a familiar name to you?

A I only heard that some time later on in -- I don't know, February, March, of 1986.

Q But prior to -- in or about the summer of '85, that was not a name familiar to you at all?

A No.

Q Let me show you CIIN number 1034. Before I ask you to read it, would you just take a look at the top of it and tell me whether that is a document that would have come through you?

A Well, first of all, it wasn't to [redacted], was going to [redacted] and [redacted]. Okay. So this -- this was originated by NE [redacted]. Authenticated by Chief NE and coordinated with [redacted] and so on. Released by European Division Chief of [redacted].

Q Okay.

A Now, the chances of me seeing this would have been in the come-back copy, but considering the volume of traffic in EUR Division, unless there was some reason for me to focus on this, I probably would have.

Basically, what we were doing was sending out traffic from NE Division in support of whatever they were doing. Therefore, I would have had less interest in it, as I say, unless there would have been some reasons for me to have looked at it.

Q To ask it in a specific fashion, you have no recollection of having seen that cable?

A No, I have not.

Q On or about the summer of 1985?

Prior to the time I am showing it to you right now have you ever seen this cable?

A No.

Q This reading of the cable doesn't bring anything back to you about having participated in any discussions regarding a fabricator on Manucher or [redacted] in the summer of 1985?

A No.

Q Let me ask you to take a look at 1032 as well. Is that what you would call -- what you refer to as the come-back copy?

A No. This is an incoming from [redacted] No. Again, I have the same reaction to that one.

Q No reaction at all?

A I don't remember seeing that.

Q Never seen it? No recollection of any instance?

A No.

Q Let me ask you to look at 1033, which is dated 11 July 1985, if you could read this and tell me who it is addressed to and who it is from and whether you had any participation in that event?

A Well -- would that be [redacted]

Q [redacted]

A Yes.

Q Who is [redacted]

A [redacted]

MR. RIZZO: [redacted]

THE WITNESS: [redacted]

It would sound to me like it would be likely he was the Chief of [redacted] Branch and he may have been. But this is largely an NE.

BY MR. EGGLESTON:

Q Right.

A Yes.

Q There is a reference there to again as I recall, the [redacted] and Manucher. There is a reference to the initiative having some direct involvement by Mr. Casey, as I recall this one.

A It was so recommendations to Casey that the Hashemi connection be dropped. I didn't even know we had a Hashemi connection, frankly.

Q So this is -- you don't recall participating in any discussions about this in the summer of '85?

A No.

Q You told me you had some knowledge of Mr. Hashemi in February of '86. What was that?

A Well, that was the first time I ever heard of him. It seemed to me Hashemi came up in some context about some scam that was being run. I don't know whether it was -- I can't be sure it was in February or March, but just some sort of -- and I don't know whether it was Cyrus Hashemi or who it was. It was Hashemi.

Q Let me get back. So you have no recollection of any participation in anything involving Cyrus Hashemi, Manucher or [redacted] in the summer of 1985?

A Not to my recollection at all. I am quite sure I didn't see those cables.

Q Let me get you back to November 21. You received a call from Colonel North. So you personally go into the office?

A I don't think I personally went into the office. That was the -- if that was Thursday, I think I asked the [redacted] Branch Chief to go in.

Q So you do not go into the office until Friday morning?

A I don't believe so.

Q Which would have been the 22nd?

I think what would make sense is I made a copy of various cables that I want to ask you specifically about and some fo them prompt questions about things that must have happened when cables, where you are responding or asking questions or giving instructions that you must have received from someone else.

I think it would be convenient if I put a set of them in front of you and just ask you about the ones that I am interested in, and then it might help you focus. There is a stack of them. I am not going to ask you about each and every one.

A Okay.

Q If you could -- you may not be used to this, but to the extent you can, if you refer to an individual cable, if you could refer to that number at the bottom. Otherwise the transcript is going to be hard to follow.

A Okay.

Q Is number 2130, which is the number that is on top here, is this a document -- is this a cable sent by you, or is this the one that you indicate was sent by someone else?

A I suspect it was sent by the [redacted] Branch Chief, who I sent into the headquarters to send it. No. That is 22 November. Or is that a Zulu time?

Q I think it is Zulu time.

A Obviously I saw the come-back copy.

Q What do you mean by come-back copy?

A This is the copy that was sent out. In other words, it was typed up on a different piece of paper, sent down to cable secretariat. They transmitted it and sent us a copy of it. This is what we call the come-back copy.

Q What happens to the document that is -- so there is something separately typed up?

A That is correct.

Q Then this is what is actually put into the transmission system? This is the way it looks when it is in the transmission system?

A I can't tell you that. This is what we get back of what we sent down there showing distribution that this copy received inside the building.

Q All right. So this was your document which indicates that the [redacted] should stand by to assist the [redacted] on a special assignment?

The next document as well, which is 2131, refers also, I take it, to having the [redacted] report to the office. Here you are referring to the [redacted] in [redacted]

A Right. I don't quite understand why that happened.

A What do you mean, why they appear to be in reverse order?

A Why I asked the [redacted] to stand by unless I had some reason to think the [redacted] wasn't there. It seemed to me -- well, that was no ref. Came back.

Q The first I want to ask you about is 2132. Do you have that in front of you?

A Yes.

Q This was a Zulu time of [redacted] on 22 November of '85. It makes reference to -- it is a cable, as I understand it, from [redacted]

A That is right.

Q A flash cable to the director per reference contacted Richard Copp at 4:50 hours 22 November. Offered all assistance.

I take it -- actually there is an indication right on this document, 2132, that the reference number is missing.

A That is correct.

Q Is that your handwriting?

A No.

Q Have you searched to determine whether or not this one is missing? Or is this someone else who is doing the compilation?

A I guess someone else. I don't know.

Q Let me -- in any event, let me get to the

the substance. Obviously, by this cable from [redacted] back to the Director, which I take it means back to you, he is indicating that in accordance with your instructions, he has contacted Richard Copp?

A That is right.

Q What occurred that led you to cable and we must be missing a cable -- what led you to cable to the [redacted] [redacted] to contact Copp?

A I recall what this 625103 said in part. What it was is I told them -- and I don't know whether I said you will be contacted or you should contact. I can't say. But that whatever it is, that Richard Copp, who also is Secord -- and that was both names were in that message. "Will either contact you or you will be contacted by him about'' -- and I think it may -- I can't say this for sure, may have spelled out that it has to do with getting a clearance for an aircraft and it may have even said El Al aircraft coming into [redacted]

Q Okay.

A I can't be sure about all of that.

Q Did Colonel North tell you about Copp and Secord in that first telephone conversation?

A Well, I can't say that for sure. Whether it was first one or there was a second one, all I know is obviously information has to come from Colonel North.

Q Do you remember what else he told you about Copp or Secord?

A No, I don't.

Q As of the time of the cable it must have been number 25103, did you have any knowledge of what this operation was about? The reason you were helping 20 grant clear answers?

A No, I don't think I did at that time. I may have said something. Again, I can't recall a telephone conversation back that far. He may have said that it had something to do with the YX or Z. I simply do not know.

Q I take it you don't recall what the XY or Z may have been?

A I don't think so. I don't think I learned that specifically until I got to the office. Again, I can't be absolutely sure.

Q Was it difficult at this time to get a flight clearance for an El Al flight coming into [redacted] What is the reason that the agency had to get involved in obtaining a flight clearance for the flight that was coming in?

A I don't know whether I knew at that time because I just can't recall, but it certainly became clearer later on that whatever arrangements had been made for the flight clearance had come a cropper. But I don't think I learned that until much later on, although I cannot be sure.

A It is your recollection that there had been some prior arrangement for the flight clearance?

A That becomes clearer as this thing goes along.

Q Did you know General Secord as of this time?

A No, I did not. The one time that I met him, he said nice to see you again and I don't recall ever having met him ever before. That was -- I don't know, September '86 or something.

Q Not until September of '86 that you ever actually met him?

A Yes.

Q What was that in connection with?

[redacted] had gone out of town for four or five days and the NE Division was handling the logistics part of this, as you know. And [redacted] asked if I could sort of just oversee it while he was out of town and there was a meeting called. And I don't recall whether I called for the meeting or Colonel North called for the meeting or who called for the meeting, but it was a meeting to -- I guess rectify lists of spare parts. There was a lot of confusion about what had been shipped, what had been received, what was broken, et cetera. At that meeting, Secord was there.

Q That is the only time you met Secord?

A The only time I know of, although as I say, he said nice to see you again.

Q All right. Did you -- but you had not -- you don't recall, at least as of November '85 having any prior professional contact?

A I didn't even know who he was when the name was raised. I don't follow events, I guess. Secord was not the sort of a name that meant anything to me.

Q Do you recall either around this time, around November 22, you asked Colonel North what it was that General Secord was doing, involved in operations? Why it was you were helping get a flight clearance for General Secord?

A No. It was explained that there was an El Al plane coming in, would be coming in, I guess it was already at that time, had departed. It was over the Mediterranean. I think it was a 747. And they needed to get the flight clearance and whatever arrangements they had made hadn't worked. Could I do anything to help. Eventually, we had to get the embassy involved such to see what they could do.

Q But you don't recall asking what it was that General Secord was doing involved in this operation?

A No, I don't.

Q Okay.

A In fact, I didn't even know he was a general or former general.

Q Do you think Colonel North referred to him as Mr. Secord?

A I really don't know. I don't remember it coming up and hitting me he was a general or a former general.

Q I am not going to obviously take you through each and every one of these. Let me just have you look at 2133, paragraph 4. This is a cable from, again, [redacted] to the Director talking about difficulites as the flight is beginning to --

MS. McGINN: The witness may want to read the entire cable to get an idea of the context. It may be more helpful for you.

MR. EGGLESTON: If he wants to he is certainly welcome to do so.

THE WITNESS: Okay.

BY MR. EGGLESTON:

Q Do you know what time Zulu time is? Is that Greenwich time?

A Zulu is Greenwich, isn't it?

Q That was my understanding. I wanted to mke sure the record was clear.

By the time of this cable, which is at [redacted] Zulu time on November 22, obviously the [redacted] is becoming fairly heavily involved [redacted] in order to get this flight clearance taken care of?

A Yes.

Q If there is a [redacted] time difference, this would be approximately [redacted] or so, I guess, [redacted]

A Right.

Q Of the 22nd?

A Yes.

Q Do you think you are in the office by this time?

A Oh, yes.

Q Do you recall whether you had had any conversation with Colonel North by this time [redacted] on the 22nd?

A Well, I can't say for sure.

Q I guess my mor -- my more detailed question is this matter of starting to become more significant [redacted] It is not just a routine call to a flight to you in order to get clearance for an airplane?

A Yes.

Q Do you know anything more at this time about the reason that this flight clearance request had come to the agency and what was really going on?

A Well, I can't say for sure whether I knew. I knew by sort of [redacted] Except we are still trying to get an airplane in. I would suspect, and I can only say I suspect, that by this point in time that Charlie Allen had showed me whatever he was going to show me, but I can only guess at that.

Q Do you have any recollection of which day it was that Charlie Allen showed you [redacted]

A Not specifically. I cannot say precisely, but I have to assume that it was on Friday.

Q Which would be the 22nd?

A Yes.

Q Let's just go to that meeting, whenever it might have taken place, whether it was Friday or Saturday, whenever you recall. You recall though there comes a time when Mr. Allen brings you various materials?

A Well, I can't really recall how much he brought me. He must have brought me something though.

Q Do you know -- how did he get to you? Did he tell you why that he had come to you? You didn't summon him, I take it?

A No. I think Colonel North told him to brief me.

Q Okay.

A I have heard that.

Q Did Charlie Allen tell you that as of the time he showed up?

A I am sorry. I can't recall whether he appeared at my door and said Colonel North told me to brief you or not.

I simply do not know.

Q Do you recall as best you recall, what is it he showed you?

A I haven't got -- I have no idea whatsoever what he showed me.

Q Do you recall whether he showed you [redacted]

A Yes. They were -- yes. They were [redacted] There is no question about that.

Q Do you know how many [redacted]

A I have no idea.

Q Do you recall the [redacted] prior to the time that you saw them?

A Again, I haven't got any idea.

Q Do you have a recollection of the [redacted]

A I don't know at this time. And you know -- I know a lot of things now that I didn't know at that time in a lot more detail. I would be simply speculating if I said what was in it.

Q Do you recall in addition [redacted] Charlie Allen must have given you some sort of a briefing, both about the substance of what had been going on and I take it he would also have told you essentially [redacted] Do you recall what it was he told you about the operation?

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A No, I don't.

Q Do you recall if he told you it was an operation that involved hostages?

A I think that came later when we had -- at some point, there was [redacted] it seemed to me, wanted to know what this was all about, and I was told by Colonel North that I could only talk about this with [redacted] as a humanitarian effort and not hostages.

So, I must have known -- been told at some point prior to that time, but again, I can't say when -- that it involved the hostages.

Q Do you recall that the intelligence [redacted] [redacted] made reference to weapons in exchange for hostages?

A Again, I can't say. I sort of doubt it, because I think that would have changed my approach to this thing.

I don't believe it mentioned -- it mentioned negotiations maybe. At least that is what I have been told. Again, I do not recall.

Q You don't recall whether Charlie Allen told you that there was some element of -- there had been discussions of weapons in the intelligence, [redacted] prior to that time?

A No. I don't think even he knew.

Q Do you remember

A As I have testified before the SSCI, there was all kinds of [redacted] not just the [redacted] that Charlie apparently was working with, indicating that there were weapons deals going on with Iran.

I mean, there were just a number of -- you couldn't even follow them. They were all over the place. [redacted]

Q Right.

You don't have any recollection that any of these related to release of American hostages?

A No.

Q Did -- I just lost my train of thought.

Do you remember anything else that Charlie Allen told you in that briefing?

A No. Frankly, I don't.

Q And let me direct your attention to 2135. 2135 is from you to [redacted] subject NSC mission.

A Yes.

Q It is a [redacted] zulu, which means later in the afternoon, maybe around [redacted]

"If charge becomes involved in this matter and feels compelled to report any aspects, request he send his messages and we will insure they get to Ambassador Oakley."

How is it you happened to send this message? Who told you that this is the way this should be handled?

A Well, I think probably if charge becomes involved in this matter that may have been referring back to that. I guess in that message, the implication was we might have to bring the charge in. This is sort of normal procedure in this kind of a situation that you want to hold the message traffic only to our channel and not have it fly all over the State Department.

But to make the charge feel warm and fuzzy about his own -- you know, his own department I said in there Ambassador Oakley could be -- would be informed.

Now, the only way I would have known that is if Ollie North told me he was the guy in the State Department. That is all I can --

Q You knew Ambassador Oakley as of this time, I take it?

A Well, I had known him over the years, but I hadn't had anything to do with him really since mid-1975, 1976, when he was at the NSC in the Near East area.

Q Let me -- as of this time, as of the date of this cable, 2135, have you yet been told what the purpose of this flight is?

A Well, again, I can't say specifically when I knew what the whole thing was about, but I would assume that by this time that I knew it had something to do with Iran and hostages or something, but I can't say for sure.

Q Let me direct you to 2137. That is, again, a cable on November 22nd, at [redacted] zulu time, which would be about [redacted] o'clock in the afternoon.

You can review the whole thing. I really want you to pay particular attention to paragraph two.

A Yes.

Q Let me -- by this time you are aware that it has gone beyond the level of Ollie North and McFarlane is involved. He is going to be pulled out of some meeting. People are being pulled out of meetings with Popes and various other things.

What had you done as of this time? Had you checked with anyone at headquarters about whether or not this level of participation is authorized or are you at a level to make this decision yourself?

A Well, at this point -- again, I don't know whether I talked with Ed Juchniewicz or not. Be that as it may, at this point I felt this was something that basically getting a flight clearance may involve high level people, but still within the purview of my position.

Q So, you did not, at least as of this point, feel that, in fact, it was reaching a really -- almost the hightest levels of both [redacted] and of the United States government, where [illegible] the point

Mr. McFarlane is being involved, that this is an area where you should be checking necessarily with Mr. Juchniewicz, Mr. George, Mr. Casey?

A No. As far as McFarlane being involved, I think I may have been aware by this time that McFarlane had worked this problem.

I can not say that for sure, but it -- at some point later on I certainly was.

Q As of this time, or as of any time on the day of the 22nd, had you spoken to anyone except Colonel North from the NSC?

A No. I hadn't spoken to anybody, and I can't say that it happened at this time or after this point or before this point, for that matter. But he had been receiving phone calls passed through the White House switch, transferred over to my office from Poindexter.

I don't know whether he ever got through to McFarlane. He certainly was trying. Again, I can not say before, now, or after.

Q Did I understand you to say Colonel North as of this time or around this time was actually in your office?

A I think he probably was. At some time on the 22nd he was in my office.

Q What is the reason he comes to your office?

A Well, be[illegible] this problem.

I guess it was simpler if he was right there.

Q Who else from your staff or at the agency is workin on this problem?' Anybody else in your immediate staff working on it other than yourself?

A I don't know. The chief of the [redacted] branch obviously had been before. I don't know in this case.

Q So, you think, at least as of this time, you had not personally spoken to Mr. Poindexter about this matter?

A No. I never spoke with Mr. Poindexter, I don't believe, throughout this whole thing.

Q You don't think he ever called you?

A Not me directly.

Q Were you skeptical at first that you should be forming this level of activity for Colonel North?

A As far as getting a flight clearance?

Q Right.

A And getting the embassy to get involved?

Q Yes.

A No.

Q Did -- at some level, it becomes more than just the embassy. It becomes McFarlane, Foreign Minister [redacted] becomes a very high level thing.

A Well, you know, that really isn't all that big a deal, frankly.

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Q For a flight clearance?

A Well, obviously for a flight, it must have been pretty important.

Q That is what I mean.

A Yes, but the fact that the Foreign Minister [redacted] [redacted] is being involved and McFarlane, you know, those things happen.

Q Okay.

You did not regard it, then, as of this level, as something you should take to a higher authority than yourself before getting the agency involved?

A Correct.

Q Let me refer you to 2141, if you could just review that one.

This is November 22. The time is [redacted] zulu.

A Right.

Q Two questions, first about paragraph one, per instructions from Admiral Poindexter. I take it this is not a conversation you had?

A No, it was not.

Q This is a conversation Colonel North had with Admiral Poindexter?

A Yes.

Q Was he in your office when he had this conversation?

A Yes, I would imagine he was.

Q Did you have any conversation with Colonel North about the fact that only Mr. Shultz and Mr. Oakley were aware of the operation?

A I don't recall.

Q Paragraph two of this cable refers to putting together a special flight for the 23rd or 24th. This takes place after the time that the few cables back it had aborted out?

A Yes.

Q What do you recall talking about with Colonel North about putting together another special flight?

A Well, I don't recall talking to him, but clearly -- what we actually said -- but clearly, from this, there must have been some discussion about trying to repeat what was being tried on the 22nd.

Q Do you have any direct contact with Mr. Secord during this time?

A No. I don't think I ever spoke to him. There was one telephone conversation with [redacted] but I don't think it was with him. I think it was with [redacted]

Q You don't remember speaking to General Secord?

A No.

Q Let me refer you to the next one, 2142. It was, again, November 25, the time [redacted] zulu.

A Yes.

Q By this time, you are trying to do it through [redacted] or -- excuse me -- have other flights.

A Okay. Right.

Q By this time, we are talking about three flights, three commercial DC-8 aircraft or similar aircraft.

A Yes.

Q What has occurred between -- this is the first cable, at least that I have seen, that makes any reference to more than a single flight.

Do you have --

A At this point, right. This is the -- all right. Well, what it looks like -- I don't know. There was some talk about some -- getting -- maybe that is what these DC-8s were, some [redacted] airline. I can't recall what company. I think it was a charter company that was going to make some -- make the flights, it seems to me. [redacted]

I don't know whether what was coming on the El Al airplane was being transferred to some other airplanes and then being flown to Tabriz. I don't simply recall what that all is here, but you know, clearly it is referring to three flights from [redacted] smaller aircraft.

Q By this time, it is apparent to you that we are not just talking about a clearance of a flight into [redacted] but you are also talking about flying things on to Tabriz?

A Yes.

And we are talking about -- right. We are talking about clearance over [redacted]

Q Right. That is for the flight, then, that would take place from [redacted] into Tabriz?

A Right.

Q Do you know -- have you been told as of this time what it is that is going to be in those three aircraft?

A I can't say for sure, but I would suspect.

Q What do you think you were told?

A Well, when finally talked about flying things into Iran, I was told it was sophisticated oil drilling equipment.

Q When is the first time that you learned that it was something other than sophisticated oil drilling equipment?

A You mean when I find out it is arms?

Q Yes.

A Well, I am told by Charlie Allen that I probably knew sometime between the 27th -- even as early, he says, on the 26th, 27th, 28th, somewhere in there, that he could see [redacted] that something had gone in on the -- I guess -- the way he puts it -- again, I do not recall seeing this, but he recalls telling me that on the -- that sometime on the 26th, 27th, 28th, along in there, I was aware that there was at least suspicion [redacted] that something had gone in there at around the time of the 25th.

Q And --

A And by that time we also had received from the cable traffic here [redacted] had made mention to us.

Q That the crew had indicated it was weapons?

A Yes.

Q When is the first time Colonel North tells you that what was sent in was Hawk missiles?

A Oh, I don't know when he did that. I don't know whether I ever did. I don't know whether he ever did, I mean specifically tell me it was Hawk missiles.

Q Do you remember whether there ever came a time when he told you it was military goods as opposed to oil drilling equipment?

A Well, I think I learned that a lot later. Whether I learned it from him, I don't know.

Q How much later?

A Well, all I can say is that the suspicion that what went in on the 25th was weapons of some kind, I am told I was told --

Q Right.

A When I was officially told, in fact, I really don't know. It may have been as late as January. I simply do not remember.

Q As late as January of 1986?

A Yes.

Q But you don't remember there came a time where North tells you that it is actually missiles?

A I can not say that.

Q Do you recall any discussion with him where you discussed with him the fact that it was -- that he had told you that it was oil drilling equipment, but, in fact, it was not, that it was weapons?

A I just don't know whether we ever had a discussion of that or not.

Q Would it have upset you to have been lied to about the contents of the aircraft?

A Well, it was compartmentation. That is compartmentation. You have a need to know only so much.

Q By this time, though, you are helping deliver material -- by this time, late on the 22nd, 23rd --

A Wait a second. Here we are -- you are talking about CIIN 2142.

Q Right. As of this time, you know three airplanes worth of something are going into Tabriz?

A That is correct. I am being asked to get an overflight clearance.

Q By this time I take it you know it has something to do with the release of the hostages?

A That is probably true.

Q Did the need for a finding occur to you around this time?

A No, not at this point.

Q If you had been told that what was being sent in was military equipment, would the need for a finding have occurred to you?

A Well, that is hard to speculate on. The Tower Commission asked me the same thing. You know, it is hard to speculate on something at this point in time about what you would have done then.

Q Right.

A There are just so many factors that come into it.

Q Let me just push that another step.

Do you think that you may or may not have sought a finding if you had known that Colonel North was in the process of sending three plane loads of weapons into Iran and doing that with the help of the agency?

A Well, again, I would just be speculating on that. Whether I would or I wouldn't have at that time, it is impossible to say.

Q Well -- today, if Colonel North, although he wouldn't do it -- if someone else at the NSC called you and asked you to do the same thing Colonel North asked you to do back then and you had known it was weapons, would you seek a finding?

A Well, I would go upstairs to my superior and see what he wanted to do.

Q Did you talk to anybody on the 22nd or 23rd about getting a finding?

A You mean in connection with this particular cable?

Q Yes.

Well, in connection with what you now know about -- what you knew as of the 22nd.

A No, I did not suggest that.

Q That a finding was necessary?

A Yes.

#2 fls

#2
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Q Let me ask you to go to the 2149.

A Okay.

Q Do you remember receiving this cable?

A Well, I obviously did. I don't specifically remember receiving it.

Q This cable generally reports that a meeting had taken place between the [redacted] and Copp in a car.

Before I get to questions about that, let me ask you --

A A car?

Q Paragraph three -- we are referring to cable number 2149, which is the 23rd of November; time, [redacted] zulu.

A Twenty-third?

MR. VAN CLEVE: Saturday.

THE WITNESS: Saturday.

BY MR. EGGLESTON:

Q Before I ask you about the meeting reflected in paragraph three, let me ask you about paragraph four, which reports that [redacted] involving the transit of a shipment involving the U.S., Israel, and Iran.

Did you know who [redacted] was?

A I don't [illegible].

Q In addition to receiving this, the [redacted] commented [redacted] is serving as Copp's right arm in attempting to arrange the transfer.

What, if anything, did you do?

A We may have traced him. I just don't know.

Q Did you -- did this cause any concern?

A I can't recall whether it did or didn't.

Q Do you remember -- as of this time, you have testified you didn't really know who Copp was or Secord was.

A That is correct.

Q You now are learning that someone closely connected with Secord [redacted] with regard to this operation.

Did you discuss at or around this time with Colonel North who in the world Copp is and what he is doing?

A I may have, but I don't recall.

Q You don't recall?

A I may have done a lot of things. I mean, I just simpl~~y can't recall th~~, I did.

Q So, you don't remember responding or asking Colonel North why you were involved with this man [redacted]

A I don't recall having asked him anything about it.

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Q Did you know Copp was operating out of [redacted] office?

A No, I did not.

Q This would strike me as a fairly significant event that someone who appears to be involved in this operation, an operation that the CIA is providing some assistance in, [redacted]

A [redacted]

Q That could be, but this one apparently didn't --

A [redacted]

Q and may be causing some problems.

Do you recall whether you discussed it with anybody in headquarters?

A I can't say that I recall.

#2a fls

Q Let me ask you about paragraph three, which is a reference to a meeting at a car at 1130 hours.

Do you recall whether the [redacted] informed you about the subject matter of this meeting in the car other than as reflected in this cable?

A No, I don't.

Q Do you recall whether you received any other cable relating to this meeting?

A No, I don't ever recall.

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Oh, this is the one the IG talked about.

Q Probably.

A That [redacted] is talking about?

Q Right.

A No, I don't recall receiving any cable where apparently [redacted] says that he outlined what -- what this car conversation was about and arms were mentioned and all that?

Q Right.

A No, I do not recall that cable. I think it is a little bizarre that I don't, given what was supposed to be in the cable. I also think it is a little peculiar that the DO, the Deputy Director for Operations, plus his own cable board readers, plus himself and presumably McMahon, when he must have reviewed this traffic at least by the 25th wouldn't -- that wouldn't have come to their attention. So --

Q [redacted] was in town fairly recently. Did you talk to him when he was in town?

A No, I did not.

Q Have you ever talked to him about this issue about whether or not there was a subsequent cable or cable that made reference to this?

A No, I have not.

Q Never talked to him about it?

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A Never talked to him.

Q It is your recollection that you never received a cable from the [redacted] in [redacted] that informed you about the contents of the aircraft?

A That is correct.

Q So as of the November 23rd, you still had no knowledge whatsoever that the aircraft were going to be carrying weapons?

A No, I did not.

Q And if there was a subsequent cable, a cable that outlined that meeting with Copp, I take it you to the best of your recollection have never seen such a cable?

A To the best of my recollection, I have not.

Q Based on what you said about the other people who would have received copies, I take it it is your position that there wasn't such a cable?

A Well, you know, I can't say that [redacted] didn't think that he sent the cable. You have a situation like this going on, you sometimes think you did something you didn't do. It is also -- would not be unheard of that the system didn't get the cable or something happened to it. It wouldn't be the first time, unfortunately.

Q Let me address your attention to page 2 of this document, 2149. There are two parts of that that are heavily blacked out. Do you have any recollection what is in those two sections?

A No, I don't. It is a continuation of para 4.

MR. EGGLESTON: Mr. Rizzo is here. I guess I would say this probably would be a cable where we would like an opportunity, unless you have it in an unredacted form, to review the whole cable to insure this part of the cable does not make some reference to arms or weapons or HAWKs or whatever.

BY MR. EGGLESTON:

Q Let me direct you to 2154. This is a cable to [redacted] from you with regard to the overflight clearance over [redacted] is that right?

A Yes. Now this -- I don't know, since I haven't looked at all of these, by this time maybe the proprietary was involved. I don't know when that all begins.

Q I think if you take a look at the next one, it has some reference to the proprietary.

A Yes.

Q The question I have about 2154 is by this cable now, it appears that we are talking about three aircraft in the next 24 to 48 hours, and then paragraph 3 of this cable, it makes reference to an additional two aircraft sometime in the next week.

Do you have any recollection of discussing with Colonel North how we are now up to five aircraft?

m4 A I don't recall how we got up to five aircraft, but the five became consistent from here on out.

Q Right.

A But I don't recall having discussed it. I must have gotten the information from him since he's the only one that can provide it. I don't remember discussing it.

Q Paragraph 1 of this at least also indicates by now it is clear that the flights are directly related to the release of the hostages?

A Correct.

MS. McGINN: May we take a few minutes break, please?

MR. EGGLESTON: Sure.

(Recess.)

MR. EGGLESTON: Let's get back on the record.

MR. BARBADORO: I have a few questions.

MR. EGGLESTON: How soon are you leaving?

MR. BARBADORO: I will call in five minutes.

MR. EGGLESTON: I am almost done with this section. Then I was going to give it to you if you want to ask those questions. Is that all right?

MR. BARBADORO: That is fine. Why don't you finish.

MR. EGGLESTON: I will finish this and give it to you so you can do what you want to do before you have to

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go.

BY MR. EGGLESTON:

Q 2155 makes reference to the [redacted] and [redacted] was one of the proprietaries, Agency proprietaries actually used.

Are you -- at what point is it that Colonel North asks you or asked the Agency to get a proprietary, to ask for the use of a proprietary?

A He didn't ask for a proprietary.

Q What did he ask for?

A He asked if we could recommend a reliable charter company.

Q Okay.

A It seemed to me that that was -- what date are we on? The 23rd. That is Friday.

Q Saturday.

A It seemed to me that it was on Friday that he made that request.

Q Did he make that of you?

A He made it of me. He said can you recommend -- can the Agency recommend a reliable charter aircraft? I asked [redacted] branch if they could recommend on. And --

Q That was on Friday?

A I believe it was on Friday. That is to the best of my recollection, on Friday, and late on Friday.

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When I say late, I mean towards the end of business hours. That is the best I can do.

Q Was it on Friday as best you recall then that you provided Colonel North with the name of [redacted] airlines?

A I don't think I ever provided him with the name per se. [redacted] branch said after some deliberations that they could not come up with a name of a reliable charter at that time of day. That is why I tend to recall it was sort of after business hours. They recommended the . proprietary.

At that point -- because at this point I saw it as an excalation. I talked to Juchniewicz.

Q It was at the point that you are providing the name of the proprietary to Colonel North that you decided you have to talk to Juchniewicz.

A Yes. At the point where the Agency's proprietary was going to be involved, if that is what Juchniewicz was going to decide to do.

Q Right.

A Then that is why I pushed it up.

Q Do you remember when it was you talked to Juchniewicz?

A I believe it was on Friday because I think that was when the request came.

Q Okay. Do you have a recollection whether it was Friday or Monday or over the weekend, your best recollection is on it was a Friday?

A My best recollection is Friday. If 23 is Saturday, already the name is here, which would suggest to me that -- yes.

Q By this time you have actually provided Colonel North with the information?

A Either I provide it to him or it was provided by someone else. I cannot recall whether I actually provided him with the name.

Q But you don't recall Colonel North prior to Friday asking you for the name of a reliable commercial airline?

A No.

Q Let me direct you to 2164 which is dated November 23, the time is [redacted]

A 21?

Q 2164.

A Yes.

Q In paragraph 4 of this one, this involves [redacted] from [redacted] to you.

A Yes.

Q It deals with the overflight request. One of the things in paragraph 4 that they ask for is information about what the airline would be carrying. Did you do anything other than -- did you talk to Colonel North specifically to insure you knew precisely what was on the airline?

A I can't say that I did. As I recall, at some point -- and again, I don't know whether it goes back to those [redacted] flights or when the proprietary is going to be involved, as to when I knew it was sophisticated oil drilling spare parts.

I cannot give you precision on that.

Q Okay. But as of this time, you know you are going to have to respond to this request?

A Yes.

Q Right? So you think -- would you have gotten the information from anyone other than Colonel North about what was in -- going to be in the aircraft?

A I can't imagine.

Q Only Colonel North?

Okay.

A As far as I can tell. I can't imagine who else would have had it.

Q Cable No. 2168 appears to be your response to the cable that we just spoke about.

A Yes.

Q Which is now dated zulu time in the early morning

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hours of November 24.

A We are talking about -- yes, that would be zulu time, sometime Saturday evening.

Q Right.

In paragraph 1 of this cable, you are advising that it involves sophisticated spare parts for the oil industry. And again you don't recall -- as far as you knew, as of this time, that is all you knew; you didn't speak to anybody other than Colonel North what might have been in the aircraft?

A Well, as I have said before, in the SSCI testimony, it wasn't that I was -- I was aware there were other kinds of things going on in the world.

I cannot say that it didn't cross my mind it might be something else. This is what I was being told.

Q And --

A And it made a certain amount of sense. The Iranians needed spare parts for the oil industry.

Q I am just not sure I understood you. You suspected it might be something other than oil drilling equipment?

A I didn't say that. You learn in this business you don't ask a lot of questions. You know, you -- there are certain things of compartmentation. I was told, presumably -- I was either told or I asked at some point in

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this chronology what was involved here; and I was told spare parts for the oil industry.

Q And what you are really telling us now is that that is what you were told and you -- although might have had some suspicions it was something else, didn't ask further questions?

A Suspicions is too strong a word to use. Being in the kind of business that I am in, you know, you know what is going on in the world. It isn't that nothing else ever crosses your mind.

Q If you had some other instead of suspicions, concerns?

A No, if I had concerns, I would have done something else, I presume.

Q I guess my only question is, even if you had anxieties about what it might have been -- looking for a word you are comfortable with -- the fact that now a proprietary of the agency might be taking weapons to Iran would seem to me to cause you some real concern.

A Yes, but apparently I didn't have that concern.

Q Okay.

So, you don't think -- let me just ask you this question.

Do you think you were -- you did have the sense that these could possibly be something other than spare parts?

A No. That is speculating beyond what I can speculate about.

Q Well, except I am not now asking you to speculate. I am asking you sort of the state of your mind as of this date.

A It is hard to recall the state of my mind a couple of years ago.

Q It seems you might recall, though, if as of the time this operation is going forward, the very fact we are

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sending things to Iran at a time when there is a complete embargo on sending anything to Iran.

A But the President can decide that he wants to break the embargo.

Q That is right. But this certainly must have been regarded in your mind as to be a highly unusual event.

A Well, I deal with highly unusualy events and have over a number of years.

I will tell you, in real fact, this didn't seem to be all that big a deal.

Q Sending even sophisticated oil drilling equipment to Iran?

A If the President of the United States decides he wants to break his own embargo, he has the right to do that.

Q How did you know the President of the United States had decided to break his own embargo?

A I would assume when he -- McFarlane must have been talking to somebody.

Q Did North ever tell you he talked to the President?

A No, he never did.

Q Did you ever talk to McFarlane during the course of this?

A No, I did not.

The best I recall, I never talked to Poindexter, either.

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Q Okay.

There comes a time in early December when you leave town. Do you recall that?

A No, I don't recall. December? Yes, I think I went to [redacted]

Q Let me direct you to 2185, several cables further on.

There is a reference in this cable to [redacted] Is [redacted] also a proprietary?

A Where are we?

Q Paragraph three. I will let you read the whole thing.

A [redacted] -- I don't know. I don't think [redacted] is a proprietary. Other people would have to answer that.

Q Okay.

Do you have any recollection of how they got involved in this whole thing?

A No.

At some point I think I even speculated to somebody that -- see, the proprietary was only going to be used once, as I recall.

Q By the "proprietary," you are talking about [redacted] and some other airline was going to do the remainder of the flights?

A Yes. It seems to me at one point in one of these cables I speculated it was [redacted] airline.

Q I think you make a reference to [redacted] as being [redacted] proprietary?

A That is possible.

Q You don't have more information about [redacted] now than you did then?

A No, I don't.

Q You don't have any recollection, I take it, of why it is that a CIA proprietary was going to be used for the first flight?

A No, I don't know, except that North had asked for a reliable charter. We ended up giving him the proprietary.

Q Actually, I am going back and directing your attention to 2195. That is the cable that makes a reference to your speculation that [redacted] might be [redacted] proprietary.

MR. VAN CLEVE: Neil, I have to leave. I want to take this opportunity to thank Mr. Clarridge. I look forward to reading your testimony.

THE WITNESS: Very nice to meet you.

BY MR. EGGLESTON:

Q Let me direct you to number 2205, a cable dated November 27, 1985, and the time is [redacted] zulu.

By this time, that flight, the flight had gone in on the 24th. I think it actually had come back out. The first paragraph here is, "Operation is still on, and we are regrouping. Will advise additional details tomorrow."

This is a cable to [redacted] and [redacted] I guess, from you?

A Yes.

Q I guess what I would like now is the entire series of cables that take place between the time this flight is over and December 11 of 1985. I would like to take you through a number of these cables and ask you what it was that was happening. The cables become very sparce now.

Essentially, all you are doing in this cable traffic is telling them to "Stand by, stand by. We are not sure what is happening. We don't know if we are on. We don't know if we are off."

What is it that happens after the flight goes in and before -- up to the 27th? What discussions are you having with North and the people in the agency about what the next step is going to be?

A The way it -- again, the way I can recall it to the best of my ability, is that you had the flight went in -- I don't know whether early morning hours of the -- I forget which day, 24th or whatever it was.

On the 25th, anyways. I don't know whether it

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was a stand-down or whatever. In other words, whatever was supposed to happen next wasn't nappening.

All right?

So, North kept postponing doing anything further because whatever was going on on his end wasn't working.

Q At this time, is he still working out of your office?

A No.

Q He is back in his own office?

A Yes.

Q So, your best recollection is that whatever he was doing was not coming through?

A That is correct.

Q Did you understand that to mean the hostages were not being released?

A No, I did not. I did not. At that point -- and I don't know all the ins and outs, because I wasn't involved -- apparently there were other things going on in the building in connection with all of this. And I was not involved.

The only thing that I continued to be involved in, as you can see here from the cable traffic, is either getting flight clearances from [redacted] or whatever, and then, as the cable traffic points out here, nothing happened.

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Q Any time between November 21, 1985 and December 11 did you have occasion to speak with Mr. Casey about this operation?

A No.

Q You never briefed him on what was happening?

A No. He was out of town.

Seems to me -- the only conversation I had on this besides Juchniewicz, upwardly, was -- I had two conversations with McMahon, one when I took him a cable. I think it was in response to [redacted] or something, came in with a message saying for the director -- the director wasn't there -- saying should I continue with my efforts. I drafted a message for McMahon which said, "No, stand down."

At some point on the 25th -- is that Monday?

Q It is Monday.

A The 25th, McMahon called me fairly late in the day and said, "You know, I think that this, whatever was shipped, doesn't make much difference whether it was oil spare parts or gun powder -- it is embargoed matter, and therefore, maybe we need a finding."

Q Do you recall that he used the word "gun powder"?

A He might have used "weapons", "gun powder".

In other words, something other than "oil spare parts", something that had to do with weapons, ammunition.

He may have used that word.

Q Did you brief Sporkin then on what had happened?

A No, I didn't.

Q Do you know who did?

A No, I don't know. I never talked with Sporkin about this at all.

Q Let me pursue the finding for a minute.

As of the 25th, McMahon has informed you or told you, at least, that it is his view that since it was embargoed items, some finding is going to be necessary?

A May be necessary.

Q May be necessary.

Do you know what McMahon then does? Do you know who he contacts? What steps he takes?

A No, I don't.

Q Do you know whether a finding was ever prepared?

A I have heard much later that some finding was prepared. When it was prepared, what it said, I don't know.

Q When you say "much later," later in December of 1985?

A Oh, no. We are well into 1986, now well into 1986. Certainly not until January of 1986.

Q Have you ever read the finding?

A I read [illegible] -- what is it --

17th finding?

Q You read that one?

A Yes.

Q Are you aware that there was an earlier finding that was prepared by Mr. Sporkin?

A I am not aware. I have heard much later, like middle of 1986 or later on that there may have been another finding.

Q Just to pursue that for a second, do you know who you learned that from?

A No, I don't.

Q Do you know whether the first finding was ever signed?

A I don't know.

Q So, moving back to the cables now, as of the 27th of November, you are essentially just in a hold pattern?

A Correct.

Well, I had to straighten something out with [redacted] at some place. I don't remember that. They shifted around.

Q Changed the dates?

A Yes.

Q Where the flight was going to go? Going from [redacted] to someplace else?

A Yes.

Q There is a cable which is number 2215, I think, which is dated the 3rd of December, and the time is [redacted] zulu. Again, it is to [redacted] and [redacted] and this is from you, I guess?

A Yes.

Q "Key meeting of principals will take place this weekend with earliest possible aircraft deployment sometime mid to late week of 8 December."

This weekend would have been the weekend Saturday was the 7th.

What is it that you knew that led you to send this cable about a meeting of principals that was to take place this weekend?

A I don't recall.

Q Do you know who the principals were?

A No, I don't know whether the principals were U.S., foreign, or what.

Q You have no recollection?

A No, I am sorry, I don't.

Q There was a meeting which took place among various American key principals, including the President of the United States on Saturday, the 7th.

A The 7th?

Q Do you know whether you knew that?

A No.

Q Do you recollect now whether that is the meeting you are talking about?

A No recollection.

Q There was a meeting then which took place in Europe with Mr. Ghorbanifar as of -- on the 9th or so of December, with Mr. McFarlane.

Did you know that meeting was taking place?

A No. I didn't know it until I heard it from you right now.

Q Again, there was another meeting of principals, including the President, which took place on the 10th. Did you know that meeting took place?

A No, I didn't.

Q On the 10th there was a cable which you send again, which is 2216.

A That is coming in from [redacted]

Q I am sorry. Is it coming in from [redacted] It is -- where he indicates to you --

A Yes. What he is saying there is [redacted] might not be on their toes if you have to do something over the holiday period.

Q Right.

The next cable I want to ask you about is 2217, which is -- is this sent out by you or by your deputy?

A This was sent out by acting chief EUR.

Q Would that have been [redacted] as of this time?

A Yes. He was my deputy in EUR at that time.

Q Where do you think you are during this time?

A I think I went to -- what are we talking about? 10 December? I think I was in [redacted] for the -- yes, the [redacted]

I am not sure whether I went to [redacted] or somewhere else. I know I was in [redacted] in December.

Q Your trip to [redacted] had nothing whatsoever to do with this initiative?

A Nothing whatsoever.

MR. EGGLESTON: Do you want to jump in now?

MR. BARBADORO: No. I didn't want to rush you.

MR. EGGLESTON: I wasn't rushed.

MR. BARBADORO: I have a few questions about the cables, Mr. Clarridge. Maybe it would be a good time to jump in and ask about them.

end mag
emm fls

EXAMINATION

BY MR. BARBADORO:

Q If the U.S. Government was assisting another government in shipping military equipment to Iran in November of 1985, that would have been a significant event, wouldn't it?

A If the U.S. Government was assisting another country in shipping military equipment to Iran?

Yes.

Q Is it fair to say if somebody had told you that this operation you were assisting was going to involve the transportation of military equipment to Iran, that you would have remembered it?

A Yes. I think I would. Yes. Just like if that cable, that so-called [redacted] cable, if it said what I have been told it said, I think I would have remembered it.

Q Did Colonel North tell you in November of 1985 that military equipment was going to be on these flights that you were helping to get the flight clearance for?

A No, he didn't. He told me it was sophisticated oil drilling equipment, at which point I, in all of this, I can't precisely pin down.

Q Colonel North told you that there was going to be military equipment on this flight?

A No. No.

Q Did your [redacted] ever send you a cable that toldyou that military equipment was going to be on those flights?

A To the best of my recollection, I never received such a cable.

Q I want to show you a State Department cable. Maybe the safest thing to do is mark it as Clarridge 1.

(Exhibit DRC-1 was marked for identification.)

MR. BARBADORO: It is a cable on 22 November, [redacted] zulu time from the embassy in [redacted] to the Secretary of State.

BY MR. BARBADORO:

Q Mr. Clarridge, you probably haven't seen this before. Why don't you take a minute and read it?

A Okay.

Q Let me just confirm this. You have never seen this cable before, have you?

A No, I have not.

Q As you know from reading the cable, Mr. Clarridge, it is from the embassy in [redacted] to the Secretary of State and it refers to a meeting between [redacted] official and I believe the Acting Deputy Chief of Mission on November 21, 1985, in which the Acting Deputy Chief of Mission is told of an approach that was made by a [redacted] official on November 20 concerning a flight from Israel to Iran carrying arms.

Were you told in November by any State Department source that a -- that there was a proposal to ship arms from Israel to Iran?

A No, I wasn't. To the best of my recollection, I didn't talk to [illegible] from [illegible] Department.

Q Were you ever told by anybody at the CIA about a proposal to ship arms from Israel to Iran in November of 1985?

A To ship arms from Israel to Iran? No.

Q Let me show you a CIA cable and probably we should mark this one, too. I don't have the same numbering system Neal does.

This is a cable dated 26 November 1985, [redacted] zulu time. It is to you, I believe, from [redacted]

(Exhibit DRC-2 marked for identification.)

BY MR. BARBADORO:

Q Mr. Clarridge, please look at this exhibit and tell me if you recall receiving it.

A I have reviewed it.

Q Did you receive that cable?

A Well, I don't recall it. It says that I did. But I can't recall just like I can't recall all these cables in here. Certainly it says I did.

Q It says that you received it?

A That is true.

Q You have no memory of having received it?

A Right.

Q On page 2 of the cable, about midway down, and --

A I don't understand that. This was from the DCM; is that what it is?

Q Take a look at it again. It is my understanding it is from your officer in [redacted] to you concerning a meeting that the Deputy Chief of Mission had with --

A It is actually from the Deputy Chief of Mission.

Q It is?

A Yes. Using our channel.

Q Do you recall receiving any messages from the Deputy Chief of Mission during November of 1985?

A I clearly don't recall, but -- I don't recall, but clearly that's marked for me. I think there is another one also that was received from the DCM at some point as well as the ambassador.

Q So you do recall receiving some messages from the Deputy Chief of Mission?

A I can remember one that came in from [redacted] He was the ambassador. That's on the 26th.

Q Let's go back to Clarridge Exhibit 2. Would you agree with me that the quoted portions of the cable which are on page 2 refer to quotations from one of two notes given to the Deputy Chief of Mission [redacted] by [redacted] official on November 25?

A In other words, these two notes? These advise us -- these two notes here, talking about these two notes?

Q The quoted portions of the cable. Would you agree what they purport to refer to are quotations from one of two notes given to the Deputy Chief of Mission by a [redacted] official?

A That's correct.

Q Let me refer your attention to midway down the second page. Excuse me a minute. What -- can you tell me what has just been shown to the witness? What is that that's just been put in front of you?

A Says for DCM chief, EUR unfortunately received too late.

Q What is the reference?

A [redacted]

Q So the cable you are reading from now -- let's make sure the record is clear on this. You have been shown a cable by your counsel, John Rizzo, and that cable is dated 27 November, [redacted] zulu time and is a cable to [redacted] from you and it concerns DCM meeting with Foreign Ministry.

MS. McGINN: That cable is also referred to as No. CCIN-2206, and is included in the packet of cables that the witness was shown this morning by Mr. Eggleston.

MR. BARBADORO: Okay.

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BY MR. BARBADORO:

Q Tell me what does that cable say and what is its significance?

A I don't know what the REF is referring to. Is your cable [redacted]

Q Clarridge Exhibit 2 is [redacted]

A All I can say is that apparently he was talking about having a meeting with somebody as best I can understand it. The DCM was going to meet somebody? [redacted] was going to meet with somebody?

Q The Clarridge Exhibit 2 refers to a meeting that occurred between DCM [redacted] official. It doesn't refer to a proposed meeting. Strike that.

It says at paragraph five: "DCM then noted that Ambassador [redacted] was scheduled to call on the Prime Minister, afternoon of November 26. [redacted] said if U.S. still interested in the meeting with the Prime Minister would provide excellent opportunity to get PM's agreement. Ambassador call set for 4:30 local time. If DSM has not found -- we believe meeting offers excellent opportunity to get it. Please advise us at opening of business, November 26, if there is any interest in reviving" -- well, "in reviving [redacted] cooperation and if so, on what terms."

Can you explain the cable that was just shown to you by your counsel?

A It says, "Unfortunately REF arrived in time for me to respond to meeting he was going to have. My ability to respond to your message prior to this time is a result of bureaucratic snafu of the last 14 hours. I'll fill you in tomorrow."

I frankly don't know what the bureaucratic snafu was.

Q But the signifiance of that cable, is it not, it demonstrates you did receive [redacted] and did read [redacted] is that right?

A Correct.

Q Let's turn to the Clarridge Exhibit 2, [redacted] and let me quote something to you on the second page of that cable. It says in the middle of the page, "On the afternoon of November 2, the firm [redacted] informed the Minister of Foreign Affairs that it had been asked to 'assist' in the transit of defense it had with the administration of the U.S. The company said the material to be transferred would arrive in [redacted] the following day to be transported by two aircraft."

Do you recall reading that paragraph?

A No, I don't recall it.

Q Would you agree with me there is a suggestion in here that defense material is involved in the shipments?

A Well, you could interpret it, but you could also interpret it that it was spare parts for the oil industry. They can be handled by the same company.

Q Would they be called defense, transit of defense?

A Transit of defense, what does it say? Transit of defense? Asked to assist in the transit of defense. I don't know what transit of defense means. Transit of defense it had.

Q Obviously, something is missing from the cable.

A Or missing from the translation of [redacted]

Q Would you agree with me whatever it is, defense refers to the contents of the aircraft?

MS. McGINN: Object to the question.

BY MR. BARBADORO:

Q Go ahead and answer.

MS. McGINN: If you can answer.

THE WITNESS: I informed the Ministry of Foreign Affairs that it had asked firm [redacted] inform the Ministry of Defense. Didn't say [redacted] Just says [redacted] Inform the Ministry of Defense that it has been asked to assist transit of defense.

It could be defense isn't necessarily the right word. I can't comment on that. Defense what?

BY MR. BARBADORO:

Q My question is, whatever defense is, does it refer to the contents of the aircraft?

A I don't know. The material to be transported would arrive in [redacted] the following day.

Q How long were you Chief of the European Division?

A From October, 1984, until February, 1986.

Q During that time, did you learn that [redacted]. is one of the leading [redacted] arms dealers?

A I may have. It is something -- it is not something that sort of hit me between the eyes.

Q You know that now, don't you?

A Oh, yes.

Q When did you learn that [redacted] was an arms dealer?

A Well, I may have known, but I can't say for sure, while I was Chief of the EUR Division.

Q Wouldn't you receive reporting of activities of major arms dealers in Europe in your capacity as chief of the European Division?

A In some cases I may have; in some cases I didn't. I just can't say.

Q And you can't say for sure whether you knew

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[redacted] was an arms dealer back in November of 1985?

A No, I can't. I may have known, but I mean I can't say for sure.

Q When did Charlie Allen show you the [redacted] [redacted] what has been referred to as the [redacted]

A Well, I don't know whether it was the [redacted] that he showed me on Friday morning or whenever this thing started.

Q He showed you some [redacted] on the 22nd of November?

A He showed me an [redacted] Whether it had reference to [redacted] I don't know. I don't recall.

Q Prior to the 22nd, you had never met Charlie Allen?

A No, I had not.

Q Did you ask for him to come into your office aand show you this [redacted] or did he come in on his own?

A I think he came in on his own. I think Ollie probably asked him to.

Q Do you recall whether he told you Ollie asked him to come in?

A No, I don't. I think subsequently I heard that --

not at that time. I can't recall.

But subsequently, I think I have heard that that's what was said.

Q On the 22nd, Allen came into your office, introduced himself, and told you that he had some [redacted] that he wanted you to look at; is that a fair summary of what happened at the start of that meeting?

A I don't recollect how it happened specifically but that's probably as good an explanation.

Q And did he tell you why he wanted you to look at this? [redacted]

A No. I think Ollie had said to me that there's some material you should see to understand what's going on.

Q Were you curious at that point to know what is going on?

A Well, no. Well, whatever you are told, you are told.

Q In any event, you were told by North you should look at this [redacted] so you would know what was going on; is that correct?

A Correct.

Q Allen brought [redacted] in and you read [redacted] [redacted] is that right?

A I don't recall reading it, but presumably I did.

Q You recall him bringing in [redacted] right?

A Frankly, no.

Q What is the basis for your earlier testimony that you recall them bringing [redacted]

A I am told he brought it in. I recall Ollie North saying that Charlie Allen would bring me something to read. But youare asking me specifically to recall Charlie Allen walking in a room. Frankly, I can't.

Q Can you recall reading [redacted] on the 22nd?

A No. I mean, a lot of things -- you have to remember something. This wasn't the only thing I was doing all day.

Q How many NSC initiatives do you respond to in the course of your daily work in a week?

A In my old job, I used to respond quite freqently in the [redacted] Division.

Q Was the NSC involved in these kind of initiatives frequently when you were in the [redacted] Division?

A No. I would get NSDD's instructing me to do X, Y and Z.

Q You would agree with me this was an unusual event?

A I would agree it was a somewhat unusual event.

Believe me, in my career, it is not that big a deal.

Q Mr. Clarridge, I have reviewed that [redacted] and it is clear to me as a novice that arms were referred to in exchange for hostages.

Do you recall having that impression after reviewing [redacted]

A No, I don't. Because I can't recall what I reviewed. Are you talking about [redacted] prior to --

Q [redacted] you saw on the 22nd of November?

A Then you know what I saw and I don't.

Q Charlie Allen has testified in his depositions that based upon [redacted] he received between September and November, he has serious -- he had serious suspicions, maybe even stronger than suspicions, that arms were involved.

Do you recall -- were involved in this November shipment. Do you recall Charlie Allen ever raising that concern with you?

MS. McGINN: Object to the form of the question. If you want to introduce what Charlie Allen said, that's one thing. Your characterizing it and asking him to comment on that is a very different matter.

BY MR. BARBADORO:

Q Please answer the question.

A About?

Q Could you read my question back?

(The reporter read the record as requested.)

THE WITNESS: No. I don't recall him raising it. As I have said, I was aware of a lot of arms deals going on in the world involving Iran, but I don't recall Charlie Allen saying that to me.

BY MR. BARBADORO:

Q Did Charlie Allen ever tell you that he thought arms might be involved in this November shipment?

A You mean ever?

Q Correct.

A Well, as I have said before, I am told -- again I don't recall seeing [redacted] -- but I am told by Charlie Allen that [redacted] he had -- and I can't give you the specific date -- the 26th, 27th, 28th of November, which he says that he showed to me although I don't recall it mentions arms, or mentions having to do with a flight on the 25th; I would imply that the flight on the 25th carried something other than oil drilling spare parts.

Q Do you recall Charlie Allen having said that -- something other than oil drilling parts might have been involved in the shipment at any time during November of 1985?

A Do I recall Charlie Allen saying -- no, I do not recall.

Q Charlie Allen has told you since that he told you that but you have no memory of it; is that right?

A No. The earliest memory I have is sometime in January.

Q Okay.

Mr. Allen, could you turn to cable CIIN No. 218-A.

There is another CIIN 2180. I know from having looked.

MR. EGGLESTON: No wonder.

BY MR. BARBADORO:

Q You might want to read also 2184, which I understand is the response by you.

Do you recall receiving 2180-A?

A Well, yes, I must have received it. I sent out an answer. When you say, do I recall receiving the cable, yes; when I read it over, yes.

Q Your recollection is refreshed when you read the cable?

A Yes.

Q Would you agree with me that that cable expresses some confusion as to what the cargo of the airplane was?

A Yes. There is some place in here where they

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say pilot told the ground controllers they were carrying military equipment, although Senator Bentsen does not believe that ever happened.

Q Mr. Clarridge, would you agree paragraph two of that cable expresses some confusion as to what the contents of the aircraft was?

A That's correct.

Q The [redacted] told someone it was oil industry spare parts, the telex from the carrier stated medical supplies were involved, and the pilot told ground controllers he was carrying military equipment.

A Right.

Q After you received this message, did you make any inquiry to determine what the cargo was?

A I don't recall. But from the wording of this other cable, the answer going out, I may have.

Q Who would you have asked about what the cargo was?

A Well, again the only person that could give me that answer -- again, I do not recall talking with him -- would have been Colonel North. I do not specifically recall speaking with him.

Q In any event, on 25th of November, you thought the cargo was oil parts; is that right?

A Correct.

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Q That's basically all I have.

Mr. Clarridge, so you understand the basis for my questioning, from what we have seen so far, the Acting Deputy Chief of Mission in [redacted] had information that arms were involved in that shipment on the 20th of November. Your [redacted] in [redacted] says on the 23rd he was told arms were involved and that he sent a cable to you telling you there were arms involved.

We know Ollie North knew that arms were involved on the 20th and we know from Charlie Allen's testimony that he suspected, [redacted] some or all of which he gave you, that arms were involved, and my questions --

A When did he say that he knew that arms were involved?

Q He knew prior to the November shipment that the initiative involved here, he had reason to believe involved the shipment of military equipment in exchange for the release of hostages.

MS. McGINN: Object to characterizing the testimony that way.

BY MR. BARBADORO:

Q In any event, so you understand the basis of my questioning, I think it is something we have to pursue when all these other people claim to have knowledge

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of it and you claim not to.

A At this time.

Q That is right.

MR. BARBADORO: Go ahead.

(Whereupon, at 12:20 p.m., the deposition was recessed, to reconvene at 12:35 p.m., this same day.)

end emm
2B

#3

emm-1

AFTERNOON SESSION

(12:40 p.m.)

Whereupon,

DEWEY R. CLARRIDGE

was called as a witness and, having been previously duly sworn, was examined further and testified as follows:

EXAMINATION ON

BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. EGGLESTON:

Q Mr. Clarridge, there comes a time I take it in early December of 19 -- actually, there was another question I had which was a quick question.

One of these cables makes reference to a telephone call that you have with the [redacted] [redacted] Do you recall calling him on the phone?

A No, I don't recall calling him.

Q Is there a reason that you would have called him on the phone as opposed to sending a cable?

A Well, it must have been some time factor is the only thing I can think of. I don't know that that was the case. That would be the only reason I can think of.

Q There comes a time in early December of 1985 when I take it you have a lengthy discussion with Colonel North about where this operation is going to go. Is that correct? Do you recall a conversation with him where he tells you that there are going to be now explicitly an arms-for-hostage deal with the transfer of TOWs, various things like that?

A I don't remember a conversation about that.

Q You don't have any recollection about that?

A No. All I can remember is discussing with him his on/off-again arrangements that I was making for clearances.

Q Do you recall an early December meeting with Michael Ledeen? You and Charlie Allen meeting with Michael Ledeen?

A I don't recall one in December. Wait a second. After Ghorbanifar was here sometime. I don't know when that was. I can't recall.

Q Okay.

A But I know that sometime either when Ghorbanifar was -- he was either -- met after he was here or while he was here. Yes. There was a meeting.

Q You don't recall, though, a meeting with Michael Ledeen about Ghorbanifar in early December of 1985?

A Well, I don't know that it was in early December. I know that at one point -- I didn't know Charlie Allen was there. But I couldn't say who was, that Ledeen -- I saw -- Ledeen saw me about Ghorbanifar's credentials.

I really didn't do anything about it. The ins and outs of the whole thing. But Ghorbanifar had spoken about some other things that had to do with the European area.

Q You don't have any recollection of being explicitly informed by Michael Ledeen in a meeting that you had with him and Charlie Allen about the November shipment and that it was Hawks? You don't recall that taking place?

A No.

Q Let me show you a memorandum and ask if you would look this over. It is dated December 18, but refers to a meeting on the 4th of December. If you could read the first line and tell me whether that refers to you?

MR. EGGLESTON: This is CIIN-587.

THE WITNESS: I remember this thing. I guess it goes on --

BY MR. EGGLESTON:

Q He goes on on one of the pages to describe the previous deal, though, as a transfer of Hawks?

A Well, I don't -- I remember a meeting with Ledeen. I can't say who else was there because I don't recollect. It seemed to me it was about the time that --

when Ghorbanifar was in town. I don't know whether there was a time they had him on the polygraph or what.

Q There comes a time on about December 22nd when [redacted] meets with him?

A That's right. I remember hearing [redacted] met with him. I think Ledeen was meeting with him also during the time he was here. I seem to recall that.

Q Let me get back to 587 here. Is this in the first line --

A That's me.

Q Chief DO Europe?

A That's me.

Q This memorandum reports -- and maybe if I could have it back for a second, it might help the record, in paragraph four, page 2, it states: "Subject explained that the four hostages were expected to be released just before Thanksgiving because of the Hawk missiles that had been delivered with intermediaries (who include, among others, David Kimche of Israel). After delivery of 20 of these missiles, Sutherland, Anderson, Jenco and Jacobsen were to be released in West Beruit. Once these four were released, another 100 Hawk missiles were to be delivered to Iran. This did not occur because there were disagreements over the particular model of the Hawk missile that was delivered."

And then it goes on.

Do you have a recollection of him telling you?

A I don't recollect anything about that. This wouldn't have been my business also. By this time -- what are we talking about, early December?

Q December 4 is the date of the meeting according to the memoranda.

A By that time, as I say, the only part of this that I had anything to do with was, as the cable traffic specifies, is getting clearances for the next X number of sorties.

Q Let me make sure I understand your position on this. Could you think -- I mean, I take it if this would have been assuming you participated in this conversation, this would have been the first time that you had learned that there was a transfer of approximately 20 Hawk missiles in return for the hostages and that this had occurred right before Thanksgiving. You must have known this was the operation you had been helping with?

A Yes. If I had been told all of this.

Q I would think that if you had been told this in the meeting with Ledeen, this would have been an event that would have fairly much stuck out in your mind.

A Yes. But you see, the thing is, I know a lot of things now that I can't recall necessarily knowing or not knowing then. It is sort of hard to say specifically what I knew then and what I -- or the timing of what I knew and when I knew it, frankly.

Q Let me just make sure -- I am not quite sure what you are telling me. Do you not recollect this meeting?

A I recollect a meeting with Ledeen having to do with the bona fides of Ghorbanifar. And some proposals that Ghorbanifar had which had nothing to do with this side of the operation and that's all that I recollect.

Exactly when that meeting took place, I can't say except that I recall that it seemed to be that Ghorbanifar was in town or had been in town.

Q So you do not remember being told in early December of 1984 about a delivery of 20 Hawks, a follow-up of an additional 100 Hawks? You don't have any recollection?

A A hundred -- the 100 Hawk thing surprised me when I heard you read it off. All I can say is I don't recollect it. I think I would.

Q You think you would?

A I think I would.

Q Do you think -- let me also ask you on -- and you don't remember similarly having any conversations with Colonel North about deliveries of weapons -- the conversations with North that took place in early December about the delivery of weapons in exchange for a receipt of the hostages?

A No. No. As I say, at that time, my piece of this thing was just as reflected in cable traffic.

Q This may take you a minute to review. It may take you more than a minute to review.

This is what is referred to as a PROF note. I am sure you have seen them. It is dated 12/4/85 and it has got the date on it -- or the time on it of 20255. It is from North to Poindexter and it has to do in some detail with this operation.

Maybe if you could review it. You are mentioned specifically near the end of it.

MS. McGINN: Are you entering this as an exhibit?

MR. EGGLESTON: I was going to mark it.

THE WITNESS: Is this something I am supposed to have seen?

BY MR. EGGLESTON:

Q No, sir. I don't know whether you saw it or not. This is -- I wanted to show it to you and then ask you questions about it.

A Oh, yes. The FBI asked me about this Operation

Recovery. I never heard about that terminology until they mentioned it, frankly.

MR. EGGLESTON: Before I ask questions, let me ask it be marked DRC-3.

(Exhibit DRC-3 was marked for identification.)

BY MR. EGGLESTON:

Q Mr. Clarridge, this memorandum or PROF note from North to Poindexter, which you have just had the opportunity to read for several minutes, makes reference to a fairly elaborate scheme for the sequential delivery of weapons followed by the release of American citizens. On one of the last pages it says, "Dewey and I have been through the whole concept twice looking for holes and can find little that can be done to improve the 'trust factor' with the Iranians."

Do you recall having in early December of 1985 discussions with Colonel North about this -- the operation that is described in DRC-3?

A No, I don't.

Q So it is your position that North's statement in this document that he's been over the operation with you twice is not accurate?

A That's right. The use of the [redacted] airfield also mystifies me because -- when did you say this was?

Early December?

Q December 4, right.

A By December 4, we had clearly gotten the [redacted] onboard. So why would we have been -- why would he even be mentioning using [redacted] He's talking about [redacted] isn't he, there?

Q Yes, [redacted] controlled airfield.

A That doesn't make any sense as of that time either.

Q So your best recollection is that this is -- he never discussed this operation with you?

A Yes, he did not.

Q He did not at any time discuss this operation with you? His statement in there he's been through it with you twice is not an accurate statement?

A Not an accurate statement.

Q I want to ask you now -- I am not going to take you through any sort of chronology, but I would like to ask you about a number of different events that then take place in January through November, really, of 1986.

When is it that you became Chief of the [redacted]

A Mid February, 1986.

Q I take it from your earlier testimony that around late December of 1985, you recognized that Mr. [redacted] had met with Ghorbanifar? Or did you indicate to me you couldn't quite place when that had taken place?

A I don't know when it took place. It seemed to me -- in other words, I believe Ghorbanifar was in the States sometime in late 1985.

Q You have a recollection that someone at least from the Agency met with him at that time?

A That's right. I remember hearing, I think, that [redacted] saw him.

Q Was Ghorbanifar by this time a name that was familiar to you?

A It had become familiar around that time. Sometime in December was the first I ever heard about him, to the best of my recollection it was -- could have been December.

Q On January 17, 1986, there is a Finding signed by the President. You mentioned that earlier. Does there come a time after the Finding is signed that you become involved once again in the operations, the execution of the Finding?

A No. Well, not that way. In other words, from about -- I don't know quite when it was. The last ten days in January. The Director asked me to take six, seven weeks off and examine what our problems were with handling terrorism. So I -- I think I came back from a trip to [redacted] or something. The last few days of January.

And after X number of days, I produced a paper on the problems and the solution, the solution as I saw it. That resulted in setting up the [redacted] [redacted] in mid February.

Q Did you become involved, though, in the execution of the Finding?

A No. I did not become involved in the execution of the Finding.

Q Could I have this marked DRC No. 4?

(Exhibit DRC-4 was marked for identification.)

BY MR. EGGLESTON:

Q Let me show you DRC-4 and ask you to take a look at this. This is a memorandum for Poindexter drafted by North on January 24, 1986.

I assume this is not a document that you have seen before. So I am not suggesting that you have seen this. It is sort of an outline form.

This document, on the first page of it, reflects you are one of a number of people, including one of four people at the CIA who are "completely cognizant of this schedule." Do I take it from your response -- were you

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completely cognizant of this schedule?

A No, I was not.

Q Had you, in January of 1986, had any discussion with Colonel North about a notional time line for the release of hostages?

No.

Q This document on page 2 of -- actually it assigns you a particular task which is that you and Copp will proceed to rendezvous in [redacted] to establish a command post. I take it you had no discussion with Mr. --

A No. Why would we go to [redacted] Unless that -- unless this was still connected with the use of [redacted] airfields. That would be the only thing that I can see any reason to go to [redacted] No.

Q He never discussed --

A It was never discussed with me. I never saw that time line.

Q This document also refers to various sort of logistical and financing arrangements for the financing.

A Which I had nothing to do with.

Q You had no knowledge of?

A Never had in the entire time from whenever you want to put the date on it, 17 January, when the logistics business was assigned to any division until November.

Only one occasion did [redacted] ask me when he went off on a trip for a few days to oversee the matter and I mentioned before where there was a discussion about spare parts, those delivered, those not delivered, those broken, so on and so forth.

Q That you think was around September of 1986?

A I think September. Yes. It was sometime around there. Might have been earlier.

Q Let me just leap to that for a second. Was there any discussion -- was there any -- was any part of your assignment or request from Mr. [redacted] involved in having to do with the pricing of the parts?

A No.

Q Did you know the pricing of the parts was a fairly major item by that time in 1986?

A Oh, yes. George Cave would come by and chart with me about what was going on. There was a lot of confusion about the pricing. I was aware of that from talking with him.

Q So you were aware there was confusion over the pricing of the Hawk parts?

A Well, I can't say specifically Hawk parts, but confusion over pricing in general was the impression I had, that I took away from all the discussions and confusion specifically over what spare parts had been

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shipped, what ones were apparently broken on a rifle, and the parts that were missing.

I did not spend very long on that subject, because it was the bean counters all getting together to discuss that. I left the meeting.

Q Did you have any participation or any role in -- did you have any knowledge that the Iranians had obtained a microfiche which reflected a price list for various Hawk parts?

A I remember George Cave talking about that.

Q Did you have any role in attempting to prepare another microfiche which would reflect different prices from the ones the Iranians had?

A None.

Q Let me ask you a couple of quick hits through this time period.

In January of 1986, Charlie Allen is told -- and I can show you the document, if you will accept my characterization of this -- is told that out of another operation, told by Ghorbanifar, that out of some other operation, there might be money available for Ollie's boys in Central America.

Assuming that Charlie Allen was told that by Ghorbanifar, did he ever mention anything like that to you?

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A No. He mentioned that only that he had come across those notes. I don't know. That was not too long ago. But that was the first I had ever heard of it.

Q That was as probably best you recall sometime in 1987 he mentioned that to you?

A Yes.

Q Not at or about January of 1986?

A No.

Q Did you have a conversation with him at the time that he indicated to you that he had found the notes?

A No. I think he just mentioned they were in there, and wasn't that bad luck that he had just found them or something.

Q George Cave, was George Cave actually located in your area? Is that where his desk was?

A No. He didn't really have a desk. I don't know if he had a desk down in NE. He'd use Charlie's desk sometimes when Charlie wasn't there.

Q But you would talk to him periodically about how this operation was going?

A He would come to me and it wasn't that I sort of went to him. I am not trying to throw it on to George. He dropped by and he'd say, This is what's going on; what do you think?

Q I wasn't putting a sort of who went to who first. On occasion, the two of you would talk about how the operation was going?

A Yes.

Q At a meeting in March which he had, Mr. Cave had with Ghorbanifar, Ghorbanifar told him, and it is reflected in the memorandum that Mr. Cave wrote, that profits from the deal could go to [redacted] and might also go to the Nicaraguan rebels.

First, did Mr. Cave ever tell you that?

A No.

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Q Assuming that that is properly characterizing it?

A No. The only thing connected with [redacted] I ever heard, and I cannot say where I heard it, was that the Iranians were [redacted]

Q How about the Nicaraguan rebels?

A No. I never heard that.

Q Did you have any knowledge whatsoever of diversion of funds out of this initiative to the Central American rebels?

A No.

Q Nicaraguan rebels?

A No.

Q Contras?

A No.

Q None whatsoever?

A None whatsoever.

Q Never discussed it with Colonel North?

A No.

Q There comes a time in October of 1986 when Charlie Allen and George Cave meet with Roy Furmark.

A Correct.

Q And at one of the meetings which I think takes place in late -- mid- to late October, Furmark mentions that m2 Mr. Ghorbanifar had not been paid what he should have been paid, or Kashoggi, various things. Furmark tells Cave and Allen that he suspects the reason is because the money had been diverted to Central America.

When did you first learn that Furmark had told that to Cave and Allen?

A Well, I can't recall specifically, but I -- and I can't recall actually seeing what they wrote up, but I know that -- I say they, because it could have been they, but I can't recall specifically that it was, that this had come out in their conversation in New York.

Q So do you think you learn about it shortly after it takes place?

A I would think probably but I cannot say for sure.

Q Did you ever talk to Colonel North about whether or not that was possible?

A No, I did not.

Q Did you ever talk to Mr. Casey about it?

A No.

Q Did you know Mr. Casey met with Mr. Furmark as well?

A It depends on when did I know it. I don't know whether I knew it when it happened or right after it happened or whether I learned it afterwards. I just don't know.

Q Did you take any steps or take any action after m3 learning that there was this allegation by Mr. Furmark that the money involved in this initiative, that you had actually been involved with approximately a year previously, the general initiative, may have gone to Central America. Did you take any steps?

A No, I didn't.

Q Did you talk to anybody about it?

A No.

Q Any investigation conducted by you?

A No. It wasn't really my business.

Q On November 21st of 1986, Mr. Casey testifies before various congressional committees and the process of preparing this testimony, as I understand it, began several days prior to that time. Directing your attention first to this process, did you have any role whatsoever in preparing Mr. Casey's testimony?

A No. In the sense of writing things or pulling material together?

Q Well, yes. Let's start by pulling material together?

A No, I didn't. I believe to the best of my recollection, I believe I participated in one large meeting.

Q When was that?

A I cannot recall exactly when.

Q Do you recall how long it was prior to the time that Mr. Casey testified? Casey's testimony was on a Friday, the 21st.

A No, I can't recall precisely when it was.

Q How will it have been within the week?

A I'm sorry. I just know that I participated in a meeting.

Q Do you recall who else was at the meeting?

A Well, it was a large number of people relatively speaking. Let's see.

MR. RIZZO: Let me just say I was at that meeting as well with him. It was the night before the testimony.

MR. EGGLESTON: Evening of the 20th?

BY MR. EGGLESTON:

Q Who all was at the meeting, if you recall?

A I can only recall some people there. I think Charlie Allen was there, Clair George was there. I don't recall [redacted] being there, but I assume he was. I am only guessing now.

Q Were there any non-Agency personnel present?

A No.

Q Was one of the matters discussed at this meeting at what point in time the Agency had knowledge about the contents of the flights for the November 1985 shipment?

A Excuse me. Would you repeat the question?

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Q Was one of the topics that was discussed at this meeting, was one of the issues that was raised, about at what point in time the CIA, the Agency, had knowledge --

A Of what was --

Q -- what was in the November shipments?

A I don't recall that coming up.

Q Had you been consulted prior to that time about what the Agency knew? You were kind of the principal guy at the Agency who was involved in these November '85 shipments.

A You are right.

Q Had anyone in preparing the CIA's chronology consulted with you about what people knew?

A I don't recall anybody consulting with me. I would assume they would have had to.

Q It would strike me that you were about all they got?

A Yes. No. But, frankly, I cannot recall anybody consulting with me.

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Q I take it if they had consulted with you, though, you would have obviously said that as far as you knew at the time, it was sophisticated oil drilling equipment?

A Oil drilling equipment.

Q But you don't recall one of the principal matters discussed during this meeting which may now have taken place on the 20th of November being the state of knowledge of the Agency as to the contents of the flights in November?

A No. I don't remember that being a big issue. Do you remember?

Q That's all right.

MS. McGINN: He's not being questioned today.

MR. BARBADORO: We'll take his later.

BY MR. EGGLESTON:

Q Did you have any consultations with anyone at the NSC about preparing their chronology?

A No, I wasn't involved with that.

Q Not at all?

A No.

Q No discussion with Colonel North about what the NSC knew or any role?

A None whatsoever.

Q Any role in preparing for the President's press conference which took place on November 19th?

A No.

Q During that week, the week of November 18th or so through the 21st, were you ever in Colonel North's office helping prepare the chronology with him?

A No.

Q Did you attend Casey's testimony? Were you there on the 21st? I guess he testified in the morning before HPSCI and later that day before the Senate committee.

A I was at the HPSCI testimony. Wasn't there a Foreign Affairs -- wasn't there testimony before Foreign Affairs?

MR. GIZA: Earlier.

THE WITNESS: Was that earlier?

MR. GIZA? May have been a day or so. It is very confusing.

THE WITNESS: The only one I recall being there for was HPSCI.

BY MR. EGGLESTON:

Q Later in the day on the 21st, Mr. Casey testifies before the Senate select committee. Do you think you were not present for that testimony?

A I don't recall being there.

Q Let me ask you about a few other aresa. You had, I take it, a device called a KL-43?

A Yes.

Q Where did you get it?

A Some fellow showed up with it one night.

Q When was that?

A Well, I can't recall specifically what time it was, what day it was, even what month it was.

Q Was it in 1985 or 1986?

A Seems to me it was in 1985.

Q Okay.

A I believe it was in 1985. I can't tell you when in 1985.

Q Who showed up with it?

A I don't remember the fellow's name.

Q Was he a CIA employee?

A No. [redacted] I think.

Q Did he tell you why he was giving it to you?

A Yes. I guess -- the best of my recollection, he said Ollie North thought I ought to have it so we didn't have to repeat what we did with the Achille Lauro on the phone because we didn't have any secure telephones in the home at that time.

Q Did you ever talk about this KL-43 with Ollie North?

A No. And I never used it.

Q You never used it?

A Never used it. Never even had the key.

Q There comes a time when you take it out of the building, doesn't there?

A I was supposed to have it at home.

Q And --

A At least that's what the whole idea was.

Q Do you still have it?

A No.

Q When did you give it back or give it up or get rid of it?

A Well, I brought it back from home almost immediately and it sat around in my safe until, I don't know, six weeks ago, whatever.

Q My understanding of these devices is that what is -- pardon the layman's use of the word -- [redacted]

A The key?

Q Is it called a key?

A No. I guess it is called that. That's the only thing I can think of you are referring to.

Q My understanding is those are changed on a fairly regular basis.

Did you receive new keys periodically?

A I never received any key.

Q So you did not have a key at all to this?

A That's right.

Q Did you receive this from Colonel North before or after your involvement in November of 1985?

A I can't recall whether it was before or after. I believe it was in 1985.

Q But you cannot place it any better than 1985?

A I'm trying to -- seems to me it was more connected with the Achille Lauro thing. The Achille Lauro was October. Seems to me it was because of so much talk on the home phones, but I can't be precise about that because I just don't recollect.

Q I'm not sure I understand your answer. Did you ever talk to Colonel North about the reason he had sent you one of these things?

A I don't recollect talking to him specifically about it [redacted]

Q Did you know who else had them?

A No, I didn't.

Q I take it you knew or assumed Colonel North had one?

A Well, yes.

Q Did you know whether Admiral Poindexter had one?

A No, I didn't.

Q Did you know whether anyone else inside the Agency had one?

A No, I didn't.

[redacted]

Q Did you know whether General Secord had a -- had such a device, a KL-43?

A No, I didn't.

[redacted]

[redacted]

[redacted]

[redacted]

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[redacted]

Q [redacted] parenthetically, when in 1984 did this take place?

A It was -- the best of my recollection, it might have been late March or April.

Q Do you recall any discussion with officials of [redacted] Government about the [redacted] providing assistance to the contras?

A No.

Q Did you ask any official in the [redacted] Government to provide assistance to the contras?

A No, I didn't.

Q Any request to provide monetary assistance?

A No.

Q Any request to provide munitions, materiel?

A No.

Q Training-type assistance?

A No.

Q So you did not ask that the [redacted] provide any type of assistance whatsoever to the contras?

A That's correct.

Q Did they inform you or tell you at any time that they were already providing assistance to the contras?

A No, they didn't.

Q Did they tell you they were willing to provide assistance to the contras?

A No.

Q Have you discussed with any -- with officials of any other country the providing of assistance to the contras?

A No.

Q Have you ever solicited funds from officials of any other country?

A No.

MS. McGINN: Can we get a date on these? You are asking him questions about what time frame?

MR. EGGLESTON: I am willing to say from 1980 to the present.

THE WITNESS: Have I --

MR. RIZZO: That certainly narrows it down.

MR. EGGLESTON: It is ever. I am taking it he's answering these questions no. If he were to answer yes, there's so many occasions I can't delineate them, I would probably do it in a slower one-at-a-time fashion.

I am anticipating his answer to the question. Ever is going to be it.

MS. McGINN: I want to make sure he understands the time frame you are talking about.

THE WITNESS: Solicit -- go back to that question again. After we have left [redacted]

BY MR. EGGLESTON:

[redacted]

Q After January 1 of 1984, did you make any requests of any countries outside of [redacted] [redacted] for assistance to the contras?

A No.

Q Have you heard of a ship called the Erria?

A No.

Q In the spring of 1986, did Colonel North discuss with you a ship that he had available for use by the Agency?

A There was some connection. I don't know whether he discussed it with me or people in NE Division discussed it. [redacted]

Q Do you recall -- but you don't recall what ship it was?

A No.

Q Did you ever discuss it directly with Colonel North?

A No. I don't recall ever discussing it -- you know, it seemed to me it came up as a [redacted] operation in some context.

Q I just wasn't sure about your answer. You don't think you ever discussed it directly with Colonel North?

A No.

Q Or anyone else on the NSC staff?

A No, and I never heard the name.

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Q Never heard the name.

Did Mr. [redacted] assuming this is true -- he has testified that he had a brief conversation with Colonel North about it.

Do you recall whether you ever discussed the ship with Mr. [redacted]

A Whether I discussed it with Mr. [redacted]

Q Did he consult with you on whether it would be a good idea to use it, buy it, or rent it?

A [redacted]

One of those had to do with [redacted] and there were problems of the -- [redacted] and at some point -- and I don't know who raised it -- whether it was Ollie North or whomever -- the question is of having a ship [redacted]

I don't even know what kind of ship it was. Could possibly -- that Ollie at least had some control over -- could be used for this [redacted]

Q You just generally recall this being discussed at a meeting, I take it?

A Right.

Q And you don't -- you were not -- you don't have any greater knowledge of it than this knowledge you are relating to us that was imparted to you during the course of this meeting?

A No. It was in that meeting. I feel quite confident that is where.

Q Do you recall that the ship was used in November or December of 1986 with regard to the Iran initiative? Do you have any knowledge about that?

A It seemed to me that a ship was going to go -- and I didn't know whether it was this ship -- that some shipment -- ship was going to go to someplace, Bandar Abbas, and pick up a T-72 tank.

Q Did you understand that to be part -- did you understand whose ship that was?

A No, just that the ship was going to go.

Q Did you think it was a CIA ship?

A Frankly, you know, it wasn't something I was involved in. It is just something I learned about peripherally.

Q Do you know whether the ship ever did it?

A No.

Q In 1984, [redacted] the LA division,

there comes a time in the spring of 1984 when the agency reaches the cap on funds that are allowed to be expended on behalf of the contras.

What steps did you take at or about that time in order to prepare the contras for the fact that they were going to be running out of funds?

Did you meet with the contra leaders? What did you do, if you recall?

A Well, at that point in time, there was still -- we are talking about -- the funds were getting ready to sort of run out.

We had worked out a plan to stretch them out into July, I think, or the first of August, or certain payments. And I think basically we didn't do very much about getting ready for the cut-off, frankly.

There was still the hope that the President would pull it out of the bag as he had before, and there was no real planning for contingencies. The planning for contingencies went the other way. We were planning for draw down on personnel in [redacted] and a plan was drawn up, indeed, for that purpose.

Q What do you mean by "draw down"?

A In other words, you aren't going to need [redacted] people to work with the contras if you aren't going to have any money.

Q Were there any plans developed at the agency to provide additional or other sources of funds for the contras?

A None that I was aware of.

Q Did you have any discussions throughout 1984 with Mr. Casey about other ways to fund the contras since the CIA money had either run out or been cut off?

A No. There never was any discussion.

MR. EGGLESTON: I don't have anything further.

MR. BARBADORO: A few quick points.

EXAMINATION

BY MR. BARBADORO:

Q Picking up on what Mr. Eggleston is asking you about, at any point [redacted] the Latin American division, were you aware of any discussions in the agency about soliciting aid from third countries?

A No.

MS. MCGINN: For the contras?

THE WITNESS: What time period are we talking about?

BY MR. BARBADORO:

Q [redacted] So, let me put a cut-off of between January 1, 1984 and the time you left the Latin American division.

A In October.

Now -- ask me the question again.

Q The question is, during that period of time, to your knowledge, were there any discussions in the CIA about soliciting aid from third countries?

A No. Soliciting aid for third countries never came up, to my knowledge.

Q Why was [redacted] replaced as the head of the Central American task force?

A At that time, we are talking about October. He wasn't going to be replaced. I wanted him to stay on until the spring of -- what year are we in? 1985? I sort of wanted a phase-in with [redacted] Those two in the same room for more than three days is just impossible.

The plan had been for [redacted] to leave in the spring of 1985, anyway.

Q He was being asked to leave before his normal tour was up. Do you know why?

A I don't know whether he was being asked to leave before his normal tour was up. If a phase of a transfer had happened the way the director wanted it to happen at that time, there would have been a long overlap into the spring of 1985, which would have been when he wanted out, anyway.

Q Why did they plan to have a period of overlap between [redacted] and [redacted]

A Because the director, in particular, thought it would take somebody a good bit of time to learn the ropes.

With my departure, having been with it all the way along, they wanted to keep [redacted] in there as long as possible to provide the continuity.

Q You don't know why [redacted] was -- it was decided [redacted] should leave the Central American task force?

A You mean early?

Q At any point.

A No.

Q Do you know why it was decided he should leave?

A No. There was a certain amount of tugs and pulls in that place, but I don't think that was the -- there was -- it was anybody's intention to have him leave early. It was the intention to get somebody in there to understudy him for a long overlap, at least in the director's mind.

Q Were you responsible for doing performance evaluations for [redacted] in your capacity [redacted] the LA division?

A Yes.

Q Was there anything wrong with his performance as head of the Central American task force?

A No, none whatsoever.

Q Between June of 1984 and October of 1984, it is my understanding you were replaced [redacted] the Latin American division; [redacted] was replaced as chief of the Central American task force; the [redacted] [redacted] was replaced; and the [redacted] [redacted] was replaced?

A Yes, because he was coming up on three years.

Q Is that unusual for the -- all of the main actors with regard to the contra program to be replaced within a three or four-month period?

A Well, no.

In the best of all worlds, you wouldn't want to have that happen. You have to remember that I was coming up on three and a half years in that job. I already made it clear to the director, given my medical history, that I had had enough. And I think some other people downtown here had had enough of me.

Dick, you can speak to that.

MR. GIZA: You had been kicked around long enough.

THE WITNESS: There was a certain amount of momentum there from all sides.

The [redacted] thing -- probably [redacted] being an [redacted] -- is much more sensitive, and it -- may have let it be known that he was upset with the way the whole thing was handled.

In fact, as far as the director was concerned, he wanted [redacted] to stay there until April and the guy [redacted] from October to April.

Now, the [redacted]

BY MR. BARBADORO:

Q [redacted] I can understand that.

A [redacted] came out, because that man was about ready to kill himself down there. He had been down there three years.

In the case of [redacted] he had come out --

[redacted]

But the answer to your generic question -- yes, it isn't the best of all things to have happen.

Q But the changes of personnel, to your knowledge, had nothing to do with the fact that after October of 1984 there were going to be restrictions on what the CIA could do vis-a-vis the contras?

A Not to my knowledge.

Q Do you know a DEA officer named [redacted]

A I have heard the name. One of my people has worked with him -- [redacted]

[redacted]

Q Are you aware of a plan to gain the release of the hostages that involved DEA officers?

A All I am aware of is that there were some DEA people [redacted] who were working -- trying to collect information.

Q When did you become aware that there were some people -- DEA people [redacted] trying to collect information?

A I think that came up at the operational support group. I can't recall exactly when. But I started going to those meetings in March of 1986.

Q Who would have raised it at the operational support group?

A I don't know.

Q Did Colonel North ever discuss a proposal with you that involved gaining the release of the hostages through the use of DEA officers and their informants?

A No, I never heard of an operation to gain the release of anybody through DEA. Collection of information, yes.

Q Do you know whether anybody in the CIA paid money to DEA agents for expenses and for informants' expenses in 1985 in connection with an operation to gather information concerning the hostages?

A No.

Q Are you familiar with a plan in 1986 that involved these DEA officers and their contacts [redacted] to gather information about the hostages?

A I can't say about contacts. I was aware that there were DEA people [redacted] that were working on collecting information on hostages.

Q What were they doing?

A I don't know. I just know they were collecting information.

Q How were they collecting the information?

A Presumably from informants.

Q Who was paying for the informants?

A I don't know.

Q When were they collecting the information?

A All I can say is that I went to the OSG meetings beginning about March 1986, and some time during the course of one of those meetings I learned from somebody or somebody stated at the meeting that there was a collection effort going on.

Q And you know nothing more about it than that, just there was an effort to collect information concerning the hostages that involved DEA sources?

A That is right.

[redacted]

Q Do you know anything about a plan in 1986 involving these DEA officials and their contacts to pay bribes to certain officials [redacted] to gain the release of the hostages?

A No, I do not.

[redacted]

[redacted]

Q Have you ever heard the name **Rafael** Quintero?

A Was he one of the fellows that came to Cyprus when the Jacobsen --

Q In November of 1986?

A Seems to me I heard the name for the first time then.

Q What can you tell me about that?

A That is all I can tell you. He was there at the time.

Q How about a guy named Dutton?

A Never heard of Dutton.

Q Do you know what Quintero was doing there?

A It had something to do with an airplane that was brought down there.

Q Who sent Quintero?

A I have no idea.

Q What was he supposed to do there?

A I don't know.

MR. BARBADORO: Let me mark as Clarridge Exhibit 5 a cable from the [redacted] dated 11 November 1986.

(Exhibit DRC-5 was marked for identification.)

BY MR. BARBADORO:

Q Please take a look at that and tell me if you recall receiving it.

A This is all this traffic having to do with -- yes.

Q Do you recall reading that cable?

A I don't specifically recall it, but I probably read it. All that stuff was coming in.

Q Did you make any effort to determine who Dutton and Quintero was?

A No, not one iota.

Q Did you ever discuss Dutton and Quintero with Oliver North?

A No, I never did. You see, again, this is one of these cases -- is that at first this -- well --

Q Go ahead.

A This is another one of these cases, initially we were asked to provide commo support. So, we were providing commo support, passing messages. Pretty soon I began to understand the White House was passing their own messages.

I called them up and said, "What the hell am I doing this for? This is ridiculous. You are sending them, I parallel."

I ceased. But they didn't cease informing me on all this stuff.

MR. BARBADORO: That is all I have.

MR. EGGLESTON: I think Dick has five minutes worth of questions.

EXAMINATION

BY MR. GIZA:

Q Dewey, when the director asked you in late January 1986 to look at this counter-terrorism problem, you went ahead and looked at it?

A Yes.

Q Did you ever talk to Ollie North about it at the time?

A I interviewed a great many people outside the building and inside the building. I had a list that I appended to the paper I wrote which listed everybody I talked to.

Maybe I talked with Ollie and maybe -- but I simply don't know. If I had detailed discussions with him, his name would be on that list.

Q The [redacted] gets established mid-February.

A Correct.

Q You become a principal focus within the Central Intelligence Agency for counter-terrorism matters, and, in part, you become a principal focus within the overall Washington community for looking at this counter-terrorism problem. You start attending meetings of the OSG or the T-WIG?

A OSG. ..

Q Operation Support Group.

In all of these meetings that you attended within the OSG and others, is this sort of the clearinghouse for knowing what the hell is going on in town? Is this where people kind of share their thoughts about operational problems?

A You mean in general?

Q Yes.

A No. I wouldn't say that. I wouldn't say that.

The matters were confined to terrorism and spin-offs of terrorism, the hostage problem. There is, however -- there tends to get to be a blurry line sometimes as where overall policy towards the country -- use [redacted] as an example. You have an overall [redacted] policy, and policy towards [redacted] on terrorism overlap.

That has created some confusion in the OSG, and we have tried to get other components, other interagency groups to deal with the overall [redacted] policy, if you will, with participation of people who deal with terrorism.

Q You are beginning to put this [redacted] together at CIA. Charlie Allen is the NIO for counterterrorism. He predates the establishment of the

[redacted]

Did Charlie Allen ever report to you that he was having meetings of a substantive nature with either [redacted] or [redacted] of the DEA?

A No, he didn't.

Q You had no idea that Mr. Allen was having discussions and/or meetings with these individuals?

A No, I did not know that.

Q In response to Mr. Barbadoro's questions, you indicated you had no knowledge that DEA was going to conduct an operation or was planning or thinking about conducting an operation paying bribes to get our hostages released.

(No audible response.)

Q In the context of the OSG, you indicated somewhere along the line you heard about DEA, or there was a possibility there were DEA people [redacted] collecting information?

In the OSG, were there any references made to this Iranian operation of arms for hostages or the efforts being made to deal with Ghorbanifar, [redacted] and others?

A I don't remember -- there was certainly an awareness that an effort was being made to get the hostages out, working certain channels to Iran. Never in any great detail was it ever discussed in there.

You had a latter point about Ghorbanifar. I don't remember their names sort of coming up specifically. They may have. I don't recollect it.

Q Was it kind of generally acknowledged in the counterterrorist community that one way you could go about obtaining the release of the hostages was to pay them off, to pay off bribes, to get the hostages released?

A No, that was not the position.

Q That was not the position?

A No, it was not.

Q So, it was never kind of generally acknowledged that there was non-governmental money available for these kinds of activities or operations?

A No.

Q Never?

A No.

Q Never formally discussed, informally discussed?

A No, never either in an OSG meeting or any other forum that I was ever in.

Q Did you have occasion after the time frame that you became the head of the [redacted] to discuss this terrorist issue, this terrorist problem with Ollie North?

What were these main kinds of things you had to get at to focus at to get -- to put a stop to terrorism, to get the hostages released? Did you ever have these kinds of discussions?

A Sort of philosophical discussion?

Q Yes, sitting over a beer, whatever.

A No, never saw him that way. Very occasionally over the years. I can say that I never had a philosophical discussion with him.

Q Did Ollie ever talk to you about the need for -- to pay bribes to get hostages out?

A No, I never heard him ever, ever say that.

Q Never heard him say that.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

MR. GIZA: That is all I have.

Thank you.

MR. BARBADORO: One other thing quickly.

EXAMINATION

BY MR. BARBADORO:

Q You worked in the Near East division at one point, didn't you?

A That is correct.

Q How familiar are you with the Wilson case and the people involved in the Wilson case?

A I am not familiar with it at all.

Q Did you know Thomas Clines?

A No. I may have met him once when he was the [redacted] of the DEO, but once is probably about the max.

Q Did you know Ted Shackley?

A Yes, I know Ted Shackley.

Q Did you know in 1985 when you first heard the name Secord that Secord had been associated with Shackley, Clines, and Wilson?

A I did not.

MR. BARBADORO: That is all I have.

MR. EGGLESTON: That is all I have.

Thank you very much, Mr. Clarridge, on behalf of the House and Senate Select Committees. We appreciate your time today.

(Whereupon, at 2:00 p.m., the deposition was adjourned.)

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TRANSCRIPT OF PROCEEDINGS

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SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION
UNITED STATES SENATE
AND
SELECT COMMITTEE TO INVESTIGATE COVERT
ARMS TRANSACTIONS WITH IRAN
U. S. HOUSE OF REPRESENTATIVES

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AND
SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION
UNITED STATES SENATE

- - -

Wednesday, June 17, 1987
Washington, D.C.

Deposition of RAY STEINER CLINE, taken on behalf of the Select Committees above cited, pursuant to notice, commencing at 10:10 a.m. in Room 901 of the Hart Senate Office Building, before Terry Barham, a notary public in and for the District of Columbia, when were present:

For the Senate Select Committee:

CHARLES KERR, Esq.
Associate Counsel

For the deponent:

Pro se

Partially Declassified/Released on 1-22-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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PROCEEDINGS

Whereupon,

RAY S. CLINE,

was called as a witness and having first been duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE
SENATE SELECT COMMITTEE

BY MR. KERR:

Q Dr. Cline, if you would state your full name, please.

A Ray S--which stands for Steiner, S-t-e-i-n-e-r--and the last name is Cline. C-l-i-n-e.

Q Where do you live, Dr. Cline?

A [redacted]

Q And your present employer?

A The U.S. Global Strategy Council.

Q And what position do you hold with them?

A I'm chairman of the institution, or the council. The CEO.

Q Would you give me a very brief description of what the council does.

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A Well, let me read it to you from right here, so we don't confuse the record.

Q All right.

A "The Global Strategy Council is a nonprofit, tax-exempt educational research foundation. Its purpose is to promote global strategic planning and decision-making in the U.S. Government." This brochure spells out some of the concepts. Perhaps it would be helpful to add to the record: The Global Strategy Council is basically a, quote, "strategy network", unquote, of specialists with expertise in every region and aspect of international conflicts.

MR. KERR: And I think, so we can keep the record clear, I'm going to mark as Exhibit 1 to your deposition the brochure for the U.S. Global Strategy Council that you were just quoting from.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 1 for identification.)

THE WITNESS: That's why I brought those in.

MR. KERR: Very good. Thank you.

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BY MR. KERR:

Q Would you describe your educational background, please.

A I have three degrees from Harvard University, AB, MA and Ph.D. I also was a fellow at Oxford University, Balliol College, many years ago. At present I am adjunct faculty member at Georgetown University.

Q You received your AB degree when?

A '39. MA, '41. Ph.D., '49.

Q And your Ph.D. was taken in what area?

A History of international relations, and at Georgetown, I am a professor of international relations in the adjunct faculty of the school's foreign service.

Q When did your association with Georgetown begin?

A In 1974. Well, December 1973, if you want the precise date, shortly after I retired from Government.

Q I'd like you to go through with me your employment history, and if you can take me, chronologically, through the jobs you've held, I would appreciate that.

A Well, quite a few of them are mentioned in my biographical sheet, which I wonder if we couldn't enter as Exhibit 2, and then I'll be able to briefer than that--

Q You refer to whichever biographical piece you prefer.

A This is the one.

Q All right.

A It is a biographical sheet. Early--to summarize--I left the university in 1942 to work as an intelligence officer for the U.S. Navy; transferred to the Office of Strategic Services in 1943, where I completed the war period. I, as this says, I subsequently served 30 years. I was in the Department of the Army as a historian from 1946 through 1949. I went to CIA for 20 years, from 1949 to 1969, with several overseas assignments, but with different titles, but always employed, paid by CIA. In November 1969, I was appointed director of the Bureau of Intelligence and Research in the U.S. State Department, where I worked until November 1973. I retired from the civil service as an annuitant at that time, and within a few weeks took up employment at the Center for Strategic and International Studies, CSIS, which is described in this pamphlet, and, shortly after that, agreed to serve as an adjunct professor at the university. Adjunct means you don't get paid, essentially.

MR. KERR: Please mark the biographical sketch as

Cline Exhibit 2.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 2 for identification.)

THE WITNESS: And perhaps you'd like to add the description of the CSIA.

MR. KERR: We'll come to CSIA in just a minute.

THE WITNESS: It's not very useful, but, you know, it gives you an idea, if you want it, and it does refer to my resignation.

BY MR. KERR:

Q With regard to your CIA career, what position did you hold with the CIA at the time of your retirement?

A At the time of my retirement? I was the, what we call the [redacted]

Q And you held that position of [redacted] during what period of time?

A [redacted] Almost four years.

Q And your position immediately prior to taking the

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[redacted] was what?

A That was in Washington as deputy director of CIA for intelligence. It's usually called the DDI.

Q And you held the position as--

A I held that from mid--sometime in the spring of 1962 until mid-1966 when I went immediately to [redacted]

Q The distinction between directorates, operations versus intelligence, was that distinction recognized in the '60s when you were there?

A Oh, yeah. I helped invent it.

Q All right.

A It goes back a good distance, and the DDI is essentially the chief full-time analyst, research-oriented person in CIA, whereas the Operations Directorate is mainly concerned with overseas activities, primarily in the intelligence collection field as distinct from research and analysis.

Q The bulk of your CIA career, was it spent in the intelligence directorate or the Operations Directorate?

A That's a little hard to answer because I'm a fairly unique person and shifting back and forth--

Q I gather.

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A --from these departments. I had three major overseas assignments which are viewed as operational assignments, but the greater number of years were spent in the directorate of intelligence which is the research and analysis part of the Agency.

Q All right. Your three overseas assignments were where?

A [redacted]

Q Thank you.

A Other than that, my work was always--within the CIA, was always as an analyst or director of research of some sort. Because of my academic background, people think of me primarily as a research-oriented person, although I did have overseas experience.

Q During the period of time that you were DDI, can you tell us who the director or directors were during the period.

A John McCone had become director shortly before I

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returned to take that post, returned from overseas to take that post. I came directly from the position of [redacted] [redacted] The only other DCI in my period was Admiral "Red" Raborn, R-a-b-o-r-n, who had a very short tour in 1965 and 1966, and who left that job shortly after I went to [redacted] Those are the only two DCIs I worked for. [redacted]

Q Who was the DDO when you were in [redacted]

A Well, it was mostly a man named Fitzgerald, who is now dead. The DDO, when I was DDI, was, for a time, Helms, and for a time, Fitzgerald. Fitzgerald stayed on most of the time, as far as I remember, all the time that I was in [redacted]

MR. KERR: The November-December 1986 CSIS publication that you gave us will be Exhibit 3.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 3 for identification.)

BY MR. KERR:

Q You became associated with CSIS when?

A In December 1973.

Q And you would have resigned--

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A I don't think it says there. It's October 1st, I believe, 1986. However, resignation means I go off the payroll. I'm still called a senior advisor at CSIS. These "think tanks" have a lot of interlocking members as you can understand.

Q With regard to CSIS, again, if you can give me a thumbnail sketch of what CSIS is.

A Well, it is a private nonprofit research group concentrating on strategic and international issues with a view to public education and academic type influence of ideas in the U.S. Government. Its objectives are very similar to the Global Strategy Council which I described to you earlier, which is a smaller and newer organization with many of the same purposes.

Q With regard to CSIS, it was associated, at one time, I believe, with Georgetown. Is that correct?

A Yes. As a matter of fact I think it still is. It's just separating itself from Georgetown. It may now be separated, but I think probably it's more like the end of July before it's effective, but it was always an independent autonomous operation at Georgetown, separate from the faculty there. But associated with the goals and personnel of the university. Last year, it was mutually decided that CSIS had become so big, that it was better for it to have an independent corporate structure, separate from the university, and that process has been taking place for about a year.

It was always independent in the sense that it raised its own funds, and spent its own money, paying fees for administrative services to the university, not a normal department of the university.

Q With regard to the Central Intelligence Agency, could you describe your relationship with the Agency, after you left the Agency in 1973-74.

A Yes. The answer is it was minimal to nil. When I retired, I criticized Dr. Kissinger for the way he used the intelligence agencies, and the state of the intelligence community, and I wrote a book on this subject a little later, which made me pretty much persona non grata with--not the individuals, but the institutions of Government during the Ford and Carter period.

And I had no contacts during the end of the Nixon period, either. So from the time of my resignation to 1973, because of my views about the Nixon-Kissinger administration--they were less unfriendly toward Ford, but of course

Secretary of State Kissinger was pretty unfriendly at that time. I had very little contact with the Government at all, devoting myself to this private research activity. During the Carter administration, again, I offered some advice but it was largely rejected, so I had very little contact.

My only acquaintance was with George Bush when he was, for a short time, director of Central Intelligence, but that was purely personal. I gave him advice based on my book which was published in 1976, I believe. I brought a copy of my book in but I don't want to give it to you. It's out of print, but, if you want to mention it.

Q Let's get the title of it.

A It's called "Secrets, Spies and Scholars", subtitled "Blueprint of the Essential CIA", printed by Acropolis Books in Washington, D.C., and the date was 1976. So there are several subsequent editions but that was the first one, and pretty well established, that while I had a great respect for the intelligence community and the CIA, I felt that it tended to be misused by Government authorities in the '70s.

Q All right. With regard to your contact with the Central Intelligence Agency after your retirement, did you have a contact or a case officer?

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A No, not in those early years. I don't recall any at all. You know, I know so many people who used to work for me, thousands, literally, in various capacities, that people may have talked to me about intelligence matters. If so, it was always in a personal and not official capacity. After the Reagan election in 1980, and the appointment of William Casey as head of intelligence, I then accepted a contact--not a case officer, because it's different.

Now let me be sure to explain that to you, in case you don't know.

Q Yes. That would be helpful; if you would do that.

A When I was the deputy director of intelligence, I was the supervisor of a special office which we then called the [redacted] I don't honestly know what they call it, now, it's been changed a little I think, but it is essentially [redacted]

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[redacted]

So, once I in effect became more sympathetic with the administration, and the intelligence community, beginning in early 1981, from time to time, then, I began receiving in my office perfectly openly, a visit from a member, a series of members assigned to that task, from the staff which I still call [redacted]

And I actually brought the names of those people in, somewhere.

Q That would be helpful.

A I think I brought them in. At least I have them somewhere. I can give them to you.

Q All right.

A Okay?

A Let's do it this way. During the period between '74 and '81, did you have a contact, or contacts with the Agency?

A No. Not official. As I say, I don't mean to say I never saw--

Q No. I understand.

A --or talked with Agency employees, because they were my friends, but I deliberately maintained a distance from them, and the only one that I could contact, that I could consider quasi-official, was with George Bush, the director, and that was limited.

Q All right. When Director Casey received his appointment in '81, at that time, do you recall being aware of the [redacted]

A No, unless that was the name of the [redacted] subsequently. I was not aware of that title.

Q If you can give me the names that you recall, of your CIA contacts, that would be helpful.

A Yeah. I just found them.

Q Great.

A [redacted] was the first one, as I recall.

Q Okay.

A Second. [redacted] Third. [redacted] Fourth. [redacted] and fairly recently then she was replaced--these people all rotated, did different jobs.

Q I understand.

A She was replaced by a man named [redacted]--I presume he has a more formal name, but I call him [redacted]

Q One more time.

A [redacted]

Q

A And they all work in this same office.

Q All right. And that would have been the [redacted]

A

Q All right.

A

Q I understand.

A

But that's why, as I say, I just sort of blocked out what happened to it, administratively, from the on, because I always thought it was most valuable as [redacted] The concept, when I was in charge--and I think it's still the concept--was that it is natural that citizens acquire national security information by accident sometimes, and they should report it to the CIA in the same way that a citizen should report to the FBI if he observed a crime being committed, or evidence that a crime might be committed.

[redacted] and that's why I agreed to keep in touch with them.

Q All right. Help me attach dates. The [redacted] contact. What period of time would you have dealt with [redacted]?

A Well, you know, I really can't space them out.

Q Best approximation.

A I probably didn't begin very quickly, so I would--but let's say 1981, 1982.

Q Okay. [redacted]

A [redacted] was I think probably a longer period. Again I would guess '82-'84. [redacted]

Q [redacted]

A Very briefly, a few months in maybe 1985. Then [redacted] was followed by--

Q [redacted]

A [redacted] who was from 1985 through most of 1986.

Q [redacted]

A [redacted] I would guess very late '86 or early '87. I've really only been seeing him a few months.

Q All right.

A From say, '86-'87.

Q Let me work back. In terms of [redacted] can you describe for me the types of things that you would have met with [redacted] about?

A Yes. It happens that the--of course he--let me say first, the types of things that he is interested in are [redacted] in any problem area of the world. So I have a very broad range of conversations with him.

His job is to find out if any of that information is useful to the intelligence community, and if so, record it, and I don't know what he does with it. I simply describe my own activities and my own friends.

It happens that the principal discussion during the [redacted] period, which is mainly this year, 1987, had to do with the project of a friend, an acquaintance of mine who was working for a company that wanted to sell arms, foreign arms to any kind of customer they could get, but thought that perhaps there would be an interest from CIA in such arms purchases.

That person, who asked me for advice on this subject, which contact I reported to--possibly to [redacted] [redacted] but probably only to [redacted]-I can't remember when the shift took place or the exact dates--was Robert Schweitzer.

Q And this is retired Lt. Gen. Schweitzer?

A Retired Lt. Gen. Schweitzer, who was working for the woman whose name is in the subpoena which I received.

Q That would be Barbara Studley.

A Barbara Studley. S-t-u-d-l-e-y. And I did describe the activities of Studley's office insofar as I knew them, which were fairly limited, and almost entirely as passed on to me by General Schweitzer, whom I know has been debriefed at great length on these subjects.

I did describe them, briefly, to the CIA contact, whoever it was, and most recently to [redacted] from the view that international arms sales are a matter of prime concern for technology transfer, and overseas operations.

[redacted] So it seemed to me that it would be something that would be important for the Agency to know about, that Studley said that she had the capability of importing foreign arms, both Russian and Chinese, wherever they were wanted abroad, or, if appropriate, presumably into the United States.

But that would have been, obviously, only if the Defense Department or the CIA wanted them brought to the United States. She was essentially in the foreign arms sales business.

Q How many occasions have you had to meet with [redacted]

A Only two or three. Only two or three. Two in March I believe were mentioned in the subpoena, and I checked them. They are on my calendar. Perhaps it would be helpful to you if I also put into the record right now the fact that because I am very familiar with this CIA process of [redacted]

[redacted] and I want to keep my relationship with the Agency non-operational, I don't keep records of what I have told them. I give them documents, anything I have that they're interested in, such as conference reports, or proposed business contracts, if they come to me and in a way in which I think it's honorable to pass them on, and possibly useful to the U.S. Government, I do so.

I do not keep a file of what I've given to them because it's their job to decide whether it is of any relevance to U.S. Government security. If they do, then it's in the CIA files. I never ask for feedback.

I never get much information as to what they do with it, and, frankly, I don't want it, because I know how the system works, and if it's useful it'll be used. If it's not, it's not my responsibility.

Q All right. While we're on that point, the subpoena did ask you to produce a variety of documents relating to meetings and activities specifically going to Barbara Studley, GeoMiliTech Consultants, and the like.

A Yes.

Q All right. With regard to the documents that were requested in the subpoena, have you had occasion to look for those documents?

A Yes.

Q Have you found any that were responsive to the subpoena?

A I've found some. You can imagine, with the activities I have, I have very large files. I try to keep very little in the way of my private papers, and nothing in the way of CIA documents because I don't want any classified material. I have clearances for discussing classified material still valid from the Defense Department, which has nothing to do with these operations, but separately.

I do not keep a classified repository. If I somehow see or get hold of a classified paper, I would destroy it immediately, but if I thought it affected security or intelligence, I would refer it to the FBI or the CIA. Occasionally I volunteer information to them, but I do not keep a file, I do not keep an archive, so I have no real record of what--

Q The documents you did find, can you produce those to us now so we can see what they are.

A Yeah. Let me see. I think I gave you everything you want out of here. Let me go immediately to two documents

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that I think are relevant to the only formal contact I've had with the Studley corporation, the GMT, as they call it. I have here a request to her. Actually, it's to Robert Schweitzer who was then her employee. November 24, 1986, requesting a fee for research and advice given to General Schweitzer, primarily, on how to make contacts for possible sales of arms, a particular type of arms to a foreign country, friendly foreign country.

Q Would this be [redacted]

A In fact it was . If we discuss that subject--and I think I would want to go off the record to explain it to you. I know that it has been explained to you by General Schweitzer. He told me he'd been asked about it.

There is some political delicacy about the particular weapons involved, but they're not mentioned in here. Is there any way you can copy these documents?

B Q Sure. The first is a letter dated November 24, 1986 from yourself to General Schweitzer, isn't that correct?

A Yes.

Q Let me ask you a question about it before we go on to mark it. SIFT, Inc. Now that is a wholly-owned corporation of yours?

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A Yes. And here is the card for it. You remember, I gave you that as the commercial entity.

Q That is a for-profit corporation, correct?

A That is a for-profit. It is the only for-profit corporation that I have. Let me explain that most academics, especially those who are in international research, are expected to and allowed to spend about 20 percent of their time in consulting or commercially value advice-giving, without detriment to their normal academic job.

I felt that it was important for me, with my CIA background and everything--people tend to be very suspicious of old CIA people--to compartment that activity so that it was clear when I was working for public service research, and clear when I was working to give advice.

So I organized this. My wife is the vice president and treasurer.

Q Are there any stockholders besides yourself?

A My whole family. My children.

Q Okay.

A And we of course have been filing taxes for a number of years.

Q When was SIFT, Inc. incorporated?

A I'm sorry, I can't tell you, but it's been--

Q But it's been a number of years?

A It's more than five years; yes.

Q And in what jurisdiction is it incorporated?

A It's in Virginia, I believe.

Q A Virginia corporation?

A Yes.

Q With regard to the relationship with GMT for payment of expenses and fees, and things of that kind--was the relationship between SIFT and GMT?

A Technically, yes, but of course that was simply the way I give my personal advice in a commercial capacity, rather than an academic capacity.

Q Now with regard to the employees of SIFT, are you the only employee of SIFT? I'm not talking about officers, now, but employees?

A There are no employees.

Q No employees.

A The officers are the entire cadre.

Q And they are all family?

A Yes. And when I pay fees to employees, it is almost always to my daughters who do research for me.

Q I understand.

A They could be construed as employees, but they're not at the office, or, they're doing tasks rather than--on assignment rather than being regularly employed.

Q I understand. In terms of the tax treatment, do you give them 1099 forms because they're independent contractors, or, do you know?

A My wife does all that and I don't know.

MR. KERR: Let's mark the November 24, 1986 letter as number four.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 4 for identification.)

THE WITNESS: The second letter is only an indication that Barbara is correct when she says she isn't making much money because she couldn't pay me for a number of weeks.

MR. KERR: Let me just get the document identified, first. The December 19 letter is a letter that you received from Mrs. Studley, correct?

THE WITNESS: That's right.

MR. KERR: And that will be Exhibit 5.

(Whereupon, the above-referred
to document was marked Cline
Deposition Exhibit No. 5
for identification.)

BY MR. KERR:

Q With regard to the fees that are discussed in that letter, have they ultimately been paid?

A Yes. It did take a while and I--

Q But you have been paid in full?

A I have been paid in full, to the best of my recollection. I did not check the bank receipts but my impression is that was closed out.

Q Now let me show you a letter dated March 9, 1987, which is a letter to you from Mrs. Studley, and that is a letter that you received from Mrs. Studley, is that correct?

A That's correct.

MR. KERR: Let's mark that as Exhibit 6.

(Whereupon, the above-referred
to document was marked Cline
Deposition Exhibit No. 6
for identification.)

THE WITNESS: Perhaps--would you like to know?--

that the occasion for that discussion and that letter was the departure of General Schweitzer from her firm.

MR. KERR: I understand. It's my intention to take you, chronologically, through a series of events. When we get to this period of time, late February or early March, I'm going to take you in some detail through questions that I have on that matter. So if we can hold on that, that would be the best way.

THE WITNESS: All right.

MR. KERR: The next document we have is an undated retainer agreement between GMT and yourself. This is a proposal that was given to you by Mrs. Studley?

THE WITNESS: Yes.

BY MR. KERR:

Q And it's my understanding, from what you said off the record, that this agreement has never been executed between yourself and GMT?

A This agreement was never executed.

Q Is there any written agreement memorializing a continuing relationship between you and GMT, or SIFT and GMT?

A No. I've made it clear to Mrs. Studley that I thought pursuing these suggestions was inappropriate at this

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time when I knew that her company was being investigated, and I wanted to find out what the results were before we discussed it further.

MR. KERR: Let me have marked as Exhibit 7 the draft retainer agreement.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 7 for identification.)

MR. KERR: Exhibit 8 will be a letter dated March 9, 1987 to you, Dr. Cline, relating to certain helicopters that were, I believe being offered for sale to the Central Intelligence Agency, is that right?

THE WITNESS: That's right, and other military equipment.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 8 for identification.)

BY MR. KERR:

Q All right. This March 9 document was provided to you by Mrs. Studley?

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A I believe it was actually handed to me by her son, named Marx, Mike Marx, but it was from, on behalf of Mrs. Studley.

Q Would you have received it at or about March 9?

A I think so.

Q All right. And the categorically reorganized list of quotes of March 4, was that part of the package that you received on about March 9th?

A Yes.

Q All right.

A This is given to you just as I received it.

Q All right. So you received it as--they were together at the time you received it?

A That's right. And there was a lot of scrappy, loose documents of early drafts and things, which I, frankly, showed to [redacted] and threw away.

Q You may find yourself revisiting them as we go on this morning.

A I wouldn't be surprised if some of them you have, but--

MR. KERR: Let me have that document marked as Exhibit 8.

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BY MR. KERR:

Q All right. Dr. Cline, let's go back and talk a little bit more about your contacts with the CIA [redacted] [redacted] folks.

A Is that what they call it now? Off the record.

Q That's my understanding.

A Okay. That's their function. Okay.

Q Now with regard to [redacted] you've mentioned--and we'll go into more detail--the conversations you had with him about GMT. It's my understanding that your meeting with him, at least of March 19, or thereabouts, did not have GMT as its primary subject matter. Is that--

A You know, I don't remember.

Q You don't recall. I will come to that, but maybe you can give me a sense of the kinds of things that you would discuss with [redacted] on the two or three occasions that you've met with him. What kinds of topics are you discussing?

A Well, I can give you examples. As I say, I deliberately don't keep files on these matters because I think it's up to the Government, if it's interested, to keep the file.

The kinds of thing I may have discussed, and have

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discussed in the past, are, for example, the views of a retired [redacted] who has made a habit of coming to me and giving me an appreciation of his views of the state of political affairs in th[redacted] and the probable course of events unde[redacted] [redacted] and, in his view, a great deal of civil unrest lying ahead.

That is a more typical kind of thing that I would feel important for the U.S. Government to know. In other words, it's a good source of information that comes to me privately. I think it's ridiculous not to pass it on to the Government.

I think I probably discussed this with [redacted] I have with some of the contact officers. There was a collection of information about arms sales that Mrs. Studley passed to me--actually, her son passed to me.

Q This would be about the Lavis?

A Yes.

Q The Lavi brothers?

A That's right. And it was sourced to some other person who wanted this information to be surfaced publicly. You know, I don't quite know why they brought it to me in the

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first place, and I didn't do anything with it except hand it to Mr [redacted] as I recall. He was then the case officer, the contact officer. And I said, you know, I don't have any interest in all this, but there are names mentioned there that relates to international arms transactions, and seems to be rather critical of the--or even suggests criminal behavior on the part of an Iranian, whose name I don't remember anymore.

So I just thrust this bundle of stuff on [redacted] I believe it was, and said, you know, do something with it if you want to; don't bug me anymore because that's all I know about it.

So that's the way I customarily did business with the contact officers. There may have been some other subjects. I really don't know the agenda on those two meetings.

Q Are there any particular areas of expertise, or types of acquaintances, that you've run across, that cause you to talk to the CIA? For example, is your area of contact primarily Southeast Asia, Latin America?

A Unfortunately, I am a geopolitician, and I study conflict areas all over the world, primarily where Soviet and Chinese, or other communist countries, like Cuba, involve themselves in countries that are of strategic importance to the United States. So I study almost all of the conflict regions.

[redacted]

Oh. Another subject which I have discussed very reluctantly with CIA, but I felt they should know about, was the proposal from some Latin Americans whose names the CIA know, concerning Nicaragua [redacted] and communist infiltration there, and the possibility of defections from the Nicaraguan government.

This is the kind of information which, if I feel the source has any real value at all, that I should put on the table for CIA.

Q This reference to Latin America, this relates in part to a Soviet helicopter which was also being--

A Yes. One of the men who approached me, who is a Latin American, said that he felt confident he could cause a helicopter to be defected from Nicaragua.

Q All right. We will touch on that, but you discussed these matters with General Schweitzer, as I recollect?

A Because I thought General Schweitzer knew a lot about them, I did discuss them with him, and he discussed them with both CIA and the DIA, to my best knowledge, and I simply reported those discussions to--I think it was to [redacted] [redacted] actually.

Q We will touch on that a bit further on. If I understand you, then, basically, you can find yourself talking with people around the globe, I think, but--

A I have a stream of foreign visitors who come to my office. I am invited, so that I could be abroad, almost every day, and I do go to many foreign places and meet interesting people who tell me their views. Ninety-nine percent of that information I don't think is very important and ignore, but if some tidbit seems to me to suggest a novel idea that the American Government should be aware of, intelligence agencies should be reporting, or a source of more information which might be useful, I usually try to just record that fact [redacted] which I think is important for citizens to do.

The fact that I'm an old CIA guy just means that I

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know how to do it, not that I do anything that anyone else shouldn't do.

Q All right. With regard to your relationship with the Agency since 1974, have there been occasions when you've earned fees, been paid expenses, or otherwise received remuneration from the Central Intelligence Agency? You or your firm?

A Only once.

Q And when was that?

A I think that was in 1981, or possibly 1982. It had to do with a single trip to [redacted] which I made only because I checked it out with Bill Casey, who thought it was a good idea for me to talk to someone whom otherwise I would not have been able to see.

Q And you were reimbursed for expenses and paid a fee, or simply reimbursed for expenses?

A No fee. Just reimbursed for my travel. And that's the only funding I have received from CIA since 1974.

Q And authorization for that trip came direct from Casey, is that right?

A It was his personal approval. I then dealt with another officer, of course, who made the arrangements.

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Q I might touch on this in a number of other ways along the line, but if you could describe your relationship with Casey for me, in general terms, I'd appreciate that.

A Okay.

Q Was it a relationship that went beyond occasional business contacts to a social context, or what?

A The relationship with Casey was based on three levels of relations. Mainly, it had to do with our both being old OSS veterans, and we both belonged to a group called the "Veterans of OSS" and we met, socially, nearly always in that context, but sometimes a couple times a year in that context.

The second level had to do with our working together in the State Department when I was the director of INR, and part of that time he was the undersecretary for Economic Affairs, I believe.

So we had a rather close professional exchange of views during that period, and then, I was on the issues advisory staff for the Reagan-Bush campaign in 1980, having been originally on Bush's campaign staff, and I joined with Reagan and Bush in June 1980, and as you know, he became the campaign director so I saw him a few times.

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Then I was also on the transition team for CIA, and talked to Casey a few times in that interim period in December 1980, before the new term began, and of course knowing that he was going to become head of CIA, we, in a desultory way, discussed ideas in my book, and his general concepts of what to do with CIA.

And in effect it was very simple, though. He said he agreed with my book, and that he was going to try to restore CIA to its pristine vigor of the period when I was active in the Agency.

Q Your relationship with Casey, after he became DCI, can you describe that, the degree to which you would have met with him, worked with him, talked with him, your access to him.

A Yes. Well, quite limited by my design. I made suggestions to him on how to do things with the Agency, or for the Agency on a few occasions. I raised with him this possibility of its being useful for me to go to [redacted]

I suggested to him ways of improving the estimates process at CIA, but I did not make any effort to monitor his general performance, and I deliberately stayed away from classified information. I gave them information. I never took any from the Agency. I could have had briefings. As I say, I was cleared for briefings, but I never received any briefing of classified intelligence, and I deliberately did not discuss those matters with Bill Casey.

Q With regard to friends and acquaintances of Casey's in the OSS days, do you know, or did you know his acquaintance, John Shaheen?

A Yes. I knew John, not well, but in a general way, social way.

Q Did you know him in any context outside of the gatherings of OSS veterans?

A Yes. On one occasion, John Shaheen contracted with my consulting company about the possibility of oil exploration offshore [redacted] Nothing came of it, and it was a very brief relationship. That's the only thing I can think of.

Q Can you place that, roughly, in time?

A Well, roughly, say, in 1984, but I could be a couple years off.

Q Were you aware that Shaheen was in contact with Casey, from time to time, offering information that he thought would be of value to Casey?

A I was not aware of that. It doesn't surprise me.

Q Do you have any knowledge of Shaheen's relationship to one Cyrus Hashimi?

A Never heard of that name.

Q Did you ever become acquainted with Shaheen's employee, fellow businessman, Roy Furmark?

A No. Was Furmark associated with Shaheen? I didn't know that. I've heard his name since, of course.

Q And I take it you were not familiar with the relationship Shaheen had through Furmark to either Khashoggi, Hashimi, or Ghorbanifar?

A No; no. Those names have all become known to me since.

Q And Casey never had occasion to discuss with you information that was being relayed to him by Shaheen about Khashoggi, Ghorbanifar, et al?

A That's not the kind of thing I talked with Casey about.

Q That's what I'm trying to get a sense of.

A I would have avoided that, and I don't think he would have told me about it. We were interested in the

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structure of intelligence activities, and the efficiency of intelligence activities. We talked about those in general terms whenever we met, but not about operations.

Q I have been told that from to time you do discuss things like terrorism.

A Well, yes, in recent years I have written two books on terrorism, one of them under contract to the U.S. Army, and naturally, I gave that information to Casey as I was developing it. I would normally, to many of my friends, pass along my results of my research.

Q My assumption would be that you became acquainted with some of the personalities and players in the Middle Eastern terrorism scene. Is that correct or incorrect?

A I'm not sure that's true. I don't know what kind of things you're talking about, but I did not become involved in the CIA operational dealings with terrorism.

Q In that context, however, did you become familiar with Mr. Ghorbanifar's activities?

A No, because I had never heard of him.

Q Do you know Michael Ledeen?

A Yes, I know Ledeen because he was at CSIS.

Q Yes, sir.

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A But I did not, until later, learn anything about his connections with this Iranian caper that you are all investigating.

Q All right. You did not have occasion to discuss with Ledeen during his tenure as a consultant to the NSC, the kinds of things that he was involved with at the NSC?

A I'm absolutely amazed that he was involved in those things.

Q All right. Have you ever had occasion to discuss with Ledeen his contacts with, his relationship to Italian intelligence services?

A Yes. I have discussed that in an academic way with him because I have had conferences and meetings with Italian politicians, and who were concerned about controlling terrorism, and that's where I would consider Ledeen an expert, but, really, is based on his earlier years in Italy as a journalist, is my knowledge of Ledeen's.

Q You are familiar with Ledeen's involvement in articles that were published relating to the "Billygate" scandal, is that correct?

A Yes, vaguely, but I'm not very well informed about them.

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Q Have you ever discussed with Mr. Ledeen his contacts with, connections to Israeli intelligence services?

A No. No, I never have.

Q And Mr. Ledeen's longstanding relationship with Ghorbanifar is something you were or were not familiar with?

A Absolutely unfamiliar. As I say, I never heard of Ghorbanifar until recently. It shows lacunae in my contacts, but that's very natural because I don't pursue them systematically. They come to me.

Q Okay. Let's talk about a few other people. [redacted] Do you know [redacted]

A Yes. I know [redacted]

Q How do you know [redacted]

A [redacted]

Q All right. Your relationship with [redacted] in 1986 was what? Do you have a social as well as business relationship with him?

A In '86?

Q Yes. Last year.

A A very limited social, I suppose. I might have had some participation in a conference we both attended, but I don't remember anything in particular. You tend to meet people interested in the same field in a variety of private, academic, or "think tank" exercises, but I don't remember any special connection with him that year.

Q To what extent, last year, were you familiar with his relationship with Barbara Studley and GMT?

A I was told by General Schweitzer that [redacted]

Q [redacted] That was my next question. Have you ever discussed with [redacted] his relationship to Studley--

A No. It seemed to me a confidential--the information passed to me I considered to be confidential/commercial, and I'm very reluctant to deal with commercial information because I like to keep it compartmented in my academic and research-

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oriented activity. So I just never brought it up to [redacted]

Q Did you ever discuss with Studley the relationship of her company and herself to [redacted]

A Yes. At least she discussed it with me. I believe she did.

Q What were you told in that regard by her?

A I was told that [redacted] for the purchase of the military weapons she was asking me to be helpful on, and that she expected to give a very large commission to [redacted] if that transaction occurred. That's all--

Q What was the nature of the connection?

A A connection with a person associated with the firm that would make it--that would make the sales of the weapons involved possible.

Q All right.

A But that's all I--

Q Do you know the identity of the firm?

A Yes. I do.

Q What firm was that?

A The firm was--well, the firm, in connection with [redacted] -I can't remember the name of the person, now.

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The firm was a corporation called Whitehead, and it was owned by a much larger Italian corporation whose president, or chairman of the board was [redacted] according to General Schweitzer and Mrs. Studley. I'm not really familiar with those business relationships.

Q All right. You would have had these conversations with Studley when, in time?

A I would guess December 1986.

Q All right. With regard to your relationship with Studley, when did you first meet, or become acquainted with Mrs. Studley?

A It probably was in November 1986.

Q And what were the circumstances that caused you to meet or become in touch with Mrs. Studley?

A Well, General Schweitzer, who approached me about helping the Studley firm, wanted to introduce me to Mrs. Studley. In addition to urging me to helpful to General Schweitzer, she asked me to appear on her radio show that she was doing, and which I did.

Q Now which radio show is that?

A As you know, she has a--had--maybe she's given it up--at that time, a small program, a program of interviewing

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people on a station, single radio station here in the Washington area, and I don't remember the name of the station.

Q All right. But it was a D.C. station as opposed to a Florida station?

A Yes, yes. It was an attempt to do, in Washington, what she had evidently done in Florida.

Q And you did in fact appear on her show?

A And I did in fact have one session with her, answering questions about this and that.

Q Prior to your introduction to Studley by General Schweitzer, you had not met, become acquainted with, done any business with Mrs. Studley?

A No. Never heard of Mrs. Studley until he introduced me, and it was a very fleeting contact until after the disappearance of General Schweitzer because it was Schweitzer whom I knew something of, and was willing to cooperate with.

Q All right. Just a few other people. With regard to retired Lt. Gen. Daniel O. Graham, do you know General Graham?

A Yes, know him quite well because he was chief of DIA when I was still in Government.

Q All right. And could you characterize your

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relationship with Graham in the last several years.

A Well, in recent years it's been purely personal, social, and, in a sense, political, in that we're interested in some of the same political ideas, military, security affairs. As you know he also is active in a number of nonprofit foundations like High Frontier, and I've tried to keep in touch with him and be supportive of some of those programs, which I believe in.

Q Have you assisted in raising funds for High Frontier?

A No.

Q Have you had contracts with High Frontier? Anything of that kind?

A No, no. I've given money to it, modest amounts, which is all I have.

Q All right. What is your knowledge of the relationship between General Graham, and Mrs. Studley and GMT?

A I didn't know there was any. At least I don't remember anybody ever mentioned it. Perhaps they did. Mrs. Studley is inclined to speak about her military friends. She has a number of generals who are her personal friends, I gather, but that's all, just casual, and perhaps I heard that

Danny was one of them but I don't remember.

Q Have you ever had occasion to discuss with General Graham his relationship to Studley--

A Never.

Q --or GMT?

A No, no. I don't have in my mind a close association between them, so it wouldn't have occurred to me.

Q All right. You've indicated that you do know General Schweitzer. Schweitzer is a friend, social acquaintance, as well as a business acquaintance?

A Yes, but only because of our becoming acquainted when he was on the NSC staff back in 1981.

Q And how did you become associated with Schweitzer when he was on the NSC staff?

A Through having been introduced to him by my son-in-law who was also on the NSC staff at that time.

Q And that would be?

A That would be Dr. Roger Fontaine, who was--he's a Latin Americanist, and was on the NSC staff studying Latin American, which General Schweitzer was keenly interested in, and I have a very slight--I don't even know whether I ever talked to Schweitzer when he was still in office, but I knew about him from that time, and had a rather high regard for his personal and political integrity.

Q One of General Schweitzer's subordinates at that time was a Marine lieutenant colonel named Oliver North. Did you have occasion to become acquainted with Colonel North?

A No. I regret to say, in some ways, that I didn't know Ollie North. I may have heard his name, but I don't remember him.

Q With regard to Colonel North's relationship with Mrs. Studley and GMT, do you have any knowledge ofthat?

A I have no indication that there was ever any connection.

Q And you never had occasion to discuss that relationship with General Schweitzer?

A No.

Q Do you know a retired Army general named John K. Singlaub?

A Yes. I know John, much the same way I know Bob Schweitzer. They're rather heroic figures in the Army and--

Q Over what period have you known Jack Singlaub?

A I've known Jack a little longer, though not terribly long. I would say only since--well, since he was retired

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from his job by--

Q It would be roughly '78-'79?

A '78-'79. And I'm not particularly close to Singlaub. I'm not particularly close to Schweitzer, but I've followed his career with some interest since he stepped down, under pressure from President Carter.

Q Have you ever had any relationship to, done any work for the organization with which he is associated, the World Anti-Communist League?

A The only relationship I had was to appear at one of their meetings and give a talk for a modest fee, I believe, though perhaps I did it for free. I don't know.

Q When would that have been?

A Well, that would have been several years ago, maybe 1983, perhaps. I don't remember, exactly. This was when he had just started taking it over and was trying to build it up a little. I agreed to give a talk because I thought it was probably a worthwhile organization.

Q What knowledge do you have of Singlaub's relationship to Mrs. Studley and GMT?

A Well, I understand that in the period before I'd ever heard of either Studley or GMT, that he had been an

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officer in her firm, or a consultant to it, or, in some way associated with her, and that they had done some business together.

Q And your knowledge of that is coming from what source?

A Primarily from very limited knowledge passed on by Schweitzer. I never discussed it with General Singlaub himself.

Q Did you ever discuss it with Mrs. Studley?

A No. My principal information about their relationship came from a newspaper story which Studley and Singlaub apparently gave an interview for last year some time, or maybe this year. I don't know. It wa this year, I guess.

Q All right.

A But I'm sure you know the story I mean, saying that they had worked together on an arms sale.

Q This would be an arms sale to the contras?

A To the contras, yes. That surprised me because I didn't know about that.

Q Do you know a gentleman by the name of Werner Glatt? G-l-a-t-t.

A I do not know him. I do not know anything about

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him except a very limited statement about him as being the source of some of the arms purchases which Mrs. Studley had made for the contras.

Q And you developed that information from whom? Who told you that Glatt was the source of Studley's arms?

A Mrs. Studley told me that herself.

Q And when would she have told you that?

A I think when she was--probably it was in the meetings in which she was trying to get me to continue to help her sell arms, generally.

Q This would have been February-March 1987?

A Yes.

Q All right. You have never met Glatt?

A No. I don't even know Glatt exists.

Q Never had occasion to visit his farm, or farms in Virginia?

A No. Has he got one in Virginia?

Q He calls it the Black Eagle.

A For heaven's sake.

Q Do you know anything about his career with the Luftwaffe during World War II?

A No. I'm afraid I'm--the only information I have on

Glatt is what Mrs. Studley told me, was that he was able to buy weapons, I believe, [redacted] and that they were new, efficient weapons, and she could make them available wherever they were needed.

Q Do you know of Mr. Glatt's relationship with General Graham?

tC

A No.

Q [redacted]

A

Q

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 9 for identification.)

BY MR. KERR:

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[redacted]

Q With regard to your relationship with the Central Intelligence Agency and the Center, were you advising the CIA of personnel at the Center that might have information that would be of interest to them?

A I don't recall doing so, but of course if someone at the Center had said to me, "Hey, we have an interest in foreign contact, foreign source of information, I want to tell you about it, and I wish it--it might be important for U.S.

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Government people to know", I would have suggested that they receive a visitor from this [redacted]

I wouldn't have hesitated to do that. I don't remember any discussions of it at that early period.

Q Let me shift gears for a moment. Looking to the period of Casey's service as DCI, were there any particular people in the Operations Directorate with whom you had contact?

A Yes. I met several in that period. The principal one was a young [redacted]

Q Apart from [redacted] anyone else in the DDO?

A I'm sorry to say I can't remember the name of the [redacted]

Q Yes. I'm not going to be able to help you with that.

A Yes. I of course knew [redacted] but I don't remember having any very serious conversations

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with him. I think something may have come up that I talked to him about. I know Clair St. George. Clair George.

Q Clair George? What kind of contacts would you have with George?

A The only one I can think of was that at one point, I was approached--and this is a weird story which I reported to the Agency, and I'm a little vague about now. I was approached by a person who said he was representing the interests of [redacted] and it was suggested to me that he didn't have the right contacts with the Agency to be having the political benefits for U.S. policy that he should, and I spoke to Casey about that, and I think I spoke to George about it.

But it turned out that the approach was kind of a fiasco, that while I did indeed meet [redacted] once--he came to see me--the man who was trying to build up the relationship turned out to be something of a fraud himself, and both Bill Casey and I realized that this was not a useful relationship.

Q Do you recall the name of the person who approached you?

A Yes. His name was Eliscu, E-l-i-s-c-u, who has

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been in litigation since, and has a lot of problems. It turned out he's really a liar.

Q And you had been approached by Eliscu approximately when?

A Oh, dear, I can't tell you. Probably--I would say it was about--I'd guess '84.

Q Okay.

A And he wanted me to insure that Casey knew about the possibility of closer cooperation with [redacted] which was a very sensible idea, and indeed I did talk to Casey about it, but nothing ever came of it.

Q All right. Do you recall meeting with Casey in early 1985, with Mr. Eliscu?

A Yes. I do.

Q And who else attended that meeting, if you recall?

A I think that was the meeting attended by the Latin American that I spoke about earlier. Was it Pearson? You know, I'm vague about those things. Personally, I've been out of Government for so long, I don't have to try to remember them, so I don't. Eliscu went to the meeting--

Q Was it Guy Pearson?

A Guy Pearson. That's the one. He's the man whom I

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put in touch with Schweitzer, and who was interested in Nicaraguan military policies, personnel.

Q Would a Mr. Alonzo have also participated in that meeting?

A My recollection is that Alonzo was--I made an appointment for Alonzo to have that meeting, but that he, he didn't make it somehow. Maybe he got to one, I don't know. There was a period when they very much wanted to explain their views--it was Pearson who really wanted to explain these views to Casey, and actually, I finally came to the conclusion that Pearson was a good source of information, but that Alonzo, who was his lawyer, in effect, was not. And that Mr. Eliscu was phony as a $3 bill. So the whole thing sort of collapsed.

But that was a subject of my conversation with the [redacted] on a number of occasions, that I kept trying to tell them what Pearson was saying, which seemed to me to have some merits, and I believe that is the subject that I called Clair George on once, to say, hey, I don't know what you guys are doing with these latinos but I just want to give you my professional judgment, personal judgment, that this guy Pearson knows a lot of interesting

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people and ought to be a good source of information.

My impression is that because they were so turned off by Alonzo, they didn't do much with him, didn't do anything with him as far as I know.

Q Casey's records reflect that you met with Casey and Eliscu on February 14, 1985.

A That probably is right.

Q Can you give me your best recollection of what was discussed at that meeting.

A My best recollection of that one was that I was suggesting that we discuss [redacted] [redacted] Now Eliscu was a contact with both of these. Eliscu is also the person who brought Pearson and Alonzo to see me, and so they are mixed up in my mind. Thus I don't know the dates, but--

Q Do you recall ever entering into any business ventures with Eliscu?

A No. I was told by Eliscu that he anticipated a business relationship on behalf of [redacted] which would involve my tutoring him in political, international politics, in a way that would be useful to him, but that that money--and I said, well, you know, if that money doesn't come

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from CIA, but from somebody else, I would consider it.

And he talked about it for a long time, as if it were, you know, sort of taken for granted that it would take place, but it turned out, again, that he was involved with some sort of fraudulent financial shenanigans in New York which I never really understood.

All I did was go to New York a couple of times, and did [redacted] in my office once, for a very normal discussion of Iranian affairs.

Q The meeting that you had with [redacted] would have approximately when?

A Well, it probably was early '85.

Q Was up in the January, February, March period of '85?

A Would have probably been after the discussion with Casey, if I'm correct, that that was the date of that conversation.

Q Did you or your firm receive any remuneration?

A No.

Q You did not?

A Never received anything. As a matter of fact I never got paid for my travel expenses. I think once I did,

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but mostly, I was not.

Q Okay.

A You ~~mean~~ meet a lot of crooks if you're in the consulting business in international affairs. It's amazing how prudent you have to be. It's even worse than being at CIA.

Q Do you know a gentleman by the name of [redacted]

A [redacted]

Q Do you recall meeting with Casey and [redacted] in March of 1984?

A Well, I think I did meet with the two of them about this [redacted] connection. I don't remember when it was, as I told you.

Q All right.

A I thought it was earlier, but it may have been '84.

Q Do you recall discussions with [redacted] and Casey in March of 1984 which related to counterinsurgency in Central America?

A I don't recall that, and I wouldn't have thought

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[redacted] would be involved in that. I think of [redacted] entirely as an Asian expert.

Q Do you recall any discussions during that period of time--March of 1984--with Casey, or anyone else, relating to contributions for the contras [redacted] or any other foreign country?

A No, no. That subject I never discussed. If anyone raised it with me, it was so obliquely that I didn't understand it because I never undertook to do anything in this field.

Q All right. Have you ever had occasion to talk with [redacted] at the Operations Directorate?

A No. I don't know who that is.

Q Okay.

A Unfortunately, most of the people who worked with me over the years have retired by now, so there's a whole new generation, that often, they know me but I don't know them because I don't even register on their names.

Q You have no recall of discussing with [redacted] Mrs Studley, Mrs. Studley's interest in becoming an arms vendor to the Central Intelligence Agency?

A No. I didn't know Mrs. Studley at that time. I

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never heard of Studley until Schweitzer introduced the subject, which I think was late in '86. Maybe I'd have been smarter if I'd been out trying to make money on some of these deals, as I gather some people have, but I wasn't on the ball on that.

Q Okay. Let me show you some documents, ask you about some events, and see if you know anything about them.

A Okay.

Q Were you aware of a meeting that took place on December 20, 1985, between Mrs. Studley, General Graham, Director Casey, and Casey's special assistant, one [redacted]

A No.

Q One of the documents that we've been told was presented to Director Casey at that December 20, 1985 meeting, is a memorandum from Mrs. Studley to Colonel North, which describes, among other things, Mrs. Studley's role, and that of General Singlaub in purchasing approximately $5 million worth of weapons for the benefit of the contras.

Let me show you her memorandum which is dated October 30, 1985, and it's been previously marked in General Graham's deposition as Graham Exhibit 1. I'd like you to

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scan it, tell me if you've ever seen the document, or if you're familiar with any of the matters that are referred to in the document?

[Witness reviews document.]

THE WITNESS: I don't believe I have seen any of these papers. I don't know anything about--I have a little trouble deciphering what they're talking about, but I'm not aware of the transactions that they seem to be describing.

BY MR. KERR:

Q The arms broker referred to as "W" in that document is Werner Glatt.

A That's Werner, huh?

Q Any knowledge you have about these matters?

A No. The only thing that comes to my mind as a result of glancing at these papers is the information that Singlaub has been giving in public recently. Some of it kind of--I have the impression that Singlaub and Mrs. Studley did arrange a shipment by Werner to the contras in 1985. That all comes from the information that's emerged at the inquiry which Congress has just been holding.

Q Okay. Another document which we have been told was provided to Director Casey at the December 20, 1985 meeting

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is a memorandum which relates to a three-way transaction designed to put armaments in the hands of various insurgencies around the world--in [redacted] It was a program that was intended to put such armaments into the hands of these revolutionaries without the consent or knowledge of the State Department, or the Congress of the United States.

And the document in question has previously been marked as Schweitzer Exhibit No. 11. I would like you to look at this document. This particular version of the document came into the hands of the two Committees through the FBI's review of the files and papers of Colonel North, that is, those which were not shredded by Colonel North and his secretary, Fawn Hall.

I would like you to look at this document, and tell me if you have ever seen it before.

A You mean this has not been in Fawn's bra?

Q As far as I know it did not--

A You are destroying the interest I have--

Q --did not ever repose there.

A I've never seen this, and I don't really know anything about the subjects, the subject involved, though, as

I say, subsequent knowledge suggests to me there was an [redacted] connection at some point, but I have no idea how concrete it was, or what really happened.

Q But you do not recall ever having seen this document before?

A No. I have not seen it. I am very positive I have not seen this document nor that one.

Q Okay. In August of 1985, a letter was sent from General Singlaub, acting on behalf of GMT, to Director Casey, which related to a list of armaments, ostensibly prepared with the assistance of Colonel North, that were being offered for sale to the Agency by GMT, and GMT through General Singlaub was proposing to arrange financing for the Central Intelligence Agency for the purchase of these armaments.

Do you have any knowledge of such a letter?

A No, but it's not implausible because this clearly is an early phase of the discussions which later, Mrs. Studley was talking to me about, selling arms to CIA. I assume this is for their earlier attempts but I was not consulted about them. And as I say, I didn't know Mrs. Studley, and I didn't know Schweitzer very well in 1985.

Q The courier of the letter, who delivered it to

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Casey, apparently was [redacted] Now did you ever have any discussions with [redacted] about his role in assisting in this manner?

A I never did, either then, or later, though I told you that Studley indicated that [redacted] was a contact.

Q All right. Let me show you several versions of the letter that have been provided to us by various sources. One version of the letter was found in the safe of Colonel North by the Federal Bureau of Investigation.

This collection of documents has previously been marked as General Graham's Exhibit No. 2. I would like you to look at Graham Exhibit 2 and tell me if you are familiar with any of the documents that are incorporated in that exhibit.

[Witness reviews documents.]

THE WITNESS: Are these duplicates?

MR. KERR: Yes. They are duplicates. There are several versions.

THE WITNESS: Better printing of the same thing, yes.

MR. KERR: And they come from various sources.

THE WITNESS: Well, as I say, I have seen--I have never seen any of these documents. No. It's before I would

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have had any contact with this sort of thing. I have seen drafts of lists like this, later, in December 1986, and early in 1987, with respect to trying to sell arms to CIA, but I didn't retain any of those documents. They were mostly waved at me by Schweitzer, explaining what he was trying to do at that time. I presume that's a follow-up on these approaches.

BY MR. KERR:

Q This particular document, at least the version stamped "confidential", which appears to have been generated by Mrs. Studley, does make reference on its cover page to [redacted]

A Yes. [redacted]

Q Do you have any knowledge of the role that [redacted] played in this matter?

A No. I do not. I do not. I can tell you that Mrs. Studley puts "confidential" on some of her correspondence, though, and I inquired once, what does that mean. She said, "Well, it's GMT confidential, we classify our own papers", which has nothing to do with law, as far as I can tell.

Q I don't think it does. But as to this incident, you have no familiarity with the--

A No. That is all before I became involved in it.

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Anyway, anything I would have heard about it would have been hearsay much later, and I do not recall any such hearsay.

Q All right. This material did get into the hands of the Central Intelligence Agency. Let me show you what has been marked in another deposition as [redacted] Exhibit No. 1, a version of the price list, in handwritten form. It is the same nine items, spread, so that they now become fourteen.

Are you familiar with [redacted] Exhibit No. 1?

A No. What is its date? I don't see it.

Q It is not dated.

A Not dated.

Q However, it is the same price list that was dated July 28th, 1986 by GMT.

A Yes.

Q You're not familiar with that document?

A I'm not familiar with this document.

Q Are you familiar with the handwriting?

A No. I'm not. No, I can't--I would have to compare it with something to see if I thought it was similar, but I don't remember. I'm not able to identify the handwriting.

Q At the same time that this document was prepared, appears to have been prepared, and, indeed, at the same time that the price list was submitted to the Central Intelligence Agency, among others, Mrs. Studley was involved at the instance of Mr. Rob Owen in pursuing information on a vessel known as the Pia Vesta.

Do you have any knowledge of the role that Mrs. Studley played in obtaining information on the Pia Vesta?

A No. That's news to me.

Q Okay. I'd like to show you a collection of documents that have been previously marked as Exhibit 3 to General Graham's deposition, which relate to the Pia Vesta, and to Ron Martin, Dan Cummings, and David Duncan, along with a rather mysterious gentleman by the name of Patrice.

A Patrice?

Q Patrice. Do you have any knowledge of the role that Duncan--

A Those names ring no bell with me.

Q --Patrice, at all had?

A No.

Q No. Okay. Let me show you what's been previously marked as Graham Exhibit 3. I ask you to look at those documents, scan them, and tell me if you've seen any of them before.

[Witness reviews documents.]

THE WITNESS: [redacted]

THE WITNESS: Max Gomez was placed in Salvador by Sanchez and Gregg. These guys talk too much. They all talk about things they don't know about, you know. I tell you, being in the clandestine business so many years, you learn to be very skeptical of what people say, and I hope you're discovering that.

MR. KERR: I'm discovering that people say a number of "wild and wooly" things.

THE WITNESS: They sure do. They speak from the ego rather than the interests. But no, I have not seen these documents, unless there's something back there that I haven't come to yet. "Neither honest nor prudent". Some good sole was trying to protect Barbara there. Is that Schweitzer?

MR. KERR: That's General Schweitzer.

THE WITNESS: It sounds like Schweitzer. I don't know his handwriting. Schweitzer is a real rare character. That's why I tried to help him a little, because I thought he was into something that was generally useful, and he's one of

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a kind. He's a very moral guy, a very religious person, as you probably know, if you've talked to him.

MR. KERR: Yes, sir. These documents are not familiar to you?

THE WITNESS: No. No, no.

BY MR. KERR:

Q And the transaction that they relate to you are not familiar with?

A I don't know anything about, no.

Q All right.

A I mean, I can't tell from those documents that I know anything about such a transaction. It's a little hard to tell what the hell they're talking about, but--

Q With regard to the personalities, Dan Cummings, do you know Mr. Cummings?

A No. The only names I knew in there are the vice president and Gregg, and I know, vaguely, Nestor Sanchez.

Q And Patrice Genty de la Sagne is not something that you're familiar with?

A That sounds like a romantic novel name to me.

Q Likewise, Mr. Cummings you are not familiar with?

A No, no. Sorry.

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Q All right. And the adventures of Mrs. Studley in the pursuit of the Pia Vesta is not something she shared with you?

A She never told me about that.

Q Do you know Rob Owen?

A No. I don't. I've heard about him, recently, but I didn't know him.

Q All right. And Rob Owen's connection to the Pia Vesta is also something you don't know about?

A No. I don't know about that.

Q Now General Schweitzer was interviewed by General Singlaub for the purpose of entering the employ of Mrs. Studley and GMT in August of 1986. Did you have any role in that process?

A No.

Q All right.

A It was after he accepted employment that he came to me.

Q According to General Schweitzer, he was hired in that period of time, and one of his first assignments was to go with General Singlaub and visit with Colonel North on or about September 2nd, 1986, in Colonel North's offices in the

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Executive Office Building.

Do you have any knowledge of what transpired at that meeting?

A I didn't know about it, no. This is all just prior to my coming into the act.

Q Immediately thereafter, on September 3rd, 1986, General Schweitzer got in an airplane and joined with General Singlaub, and others, on a trip that was made by various GMT folks to Europe. Do you have any knowledge of that trip?

A No.

Q All right. According to the records of the Central Intelligence Agency, you made a telephone call to Director Casey on September 29, 1986. Do you have any recollection of what transpired in your telephone conversation with Director Casey on September 29, 1986?

A I'm sorry, I don't recall. I probably could, if you could give me another hint about it, but I don't remember. It may well have been something that we were concerned about at the time. The Veterans of OSS was having a meeting on World War II, reminiscences of "Wild Bill" Donovan. I was actively arranging it and Bill Casey was keenly interested and attended the meeting.

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I've forgotten the dates, but it could have been something at that time.

Q All right. Do you have any recollection of discussing with Director Casey GeoMiliTech and its interest in becoming a covert vendor to the Central Intelligence Agency?

A At some point in that period I did, after Schweitzer introduced me to Mrs. Studley, and explained to me her interest in a transaction with [redacted] She, herself, said, "I have, in addition, a business relationship of some duration where I need help on offering arms for purchase by CIA", and that was just out of a cold sky.

At some point in that period I did do one thing for General Schweitzer and Mrs. Studley. I checked with Casey. I called Casey and explained that I knew General Schweitzer and I thought he was a very honorable guy, that he was working for--I don't know whether I used Mrs. Studley's name--but for that company.

And that I didn't know what they had to offer, and didn't want to get involved in it, but that I thought probably it was worth examining what they had to offer. And I was given a--if I remember correctly, I was given a phone

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number later, and I gave it to General Schweitzer. And that's all I had to do with the arms business in that early period.

Q Let me come back and take it piece by piece. You do have a recollection of making a telephone call to Director Casey in which you discussed General Schweitzer's connection to GMT?

A Yes, yes.

Q All right. And it would be your recollection that that conversation may have taken place in the fall of 1986?

A It was the fall of 1986. I just don't remember the date.

Q All right. Did Director Casey indicate, during the course of that telephone conversation, that he was familiar with Mrs. Studley and GMT?

A Yes. My reaction is that that was his statement--oh, that's the Studley case, or something.

Q Do you recall Casey telling you how it was that he was familiar with Mrs. Studley and GMT?

A No. We were talking over a public telephone, and I was speaking in very general terms, and simply saying here's--I felt that this was such a high-level problem at that time

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that Casey ought to know about it. So I wouldn't call someone lower than him on it, and I was simply dropping it on his desk, and he did in fact then, at some later date, somebody called me and gave me a number which I passed on to Schweitzer.

Q Do you recollect who it was that called you?

A No, I don't. I think the person who called me was probably a secretary in Casey's office. I used to know those girls all by their first names. [redacted] was his principal secretary. I don't know. She might have called me.

Q Do you recollect whose name was attached to the telephone number that was given to you?

A Yes. I recollect it, though I don't think I have it anymore. It was a person I didn't know. At one point I confirmed it just to be sure I wasn't doing the wrong thing, and the name, as I remember it, was [redacted]

Q All right.

A I probably do know him, but I don't remember him.

Q And if I understand you, you passed [redacted] name and telephone number to General Schweitzer?

A That's right.

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Q All right.

A That was the service I performed, without fee, for Mrs. Studley and GMT. Sort of en passant, while I was also advising her on how to get in touch with people [redacted]

Q All right. And if you were to try to place when in time this name, [redacted] name and telephone number was passed to you, you would put it in the fall of 1986?

A Yes. I would guess like October '86. You see, I went to [redacted] in November, and I also went to [redacted] [redacted] and I had a rather interesting time in [redacted] which had nothing to do with the Studley's, and so I remember going out there. And I would guess it was either--I would guess it was shortly before that trip that I made this contact for Mrs. Studley.

Q Do you have any further recollection of the nature of the discussion that you had with Casey in late September 1986?

A No. I don't have any further recollection, and my impression is it was very succinct and very simple, because he did seem to know something about the subject, you know, and he and I have been in--dealing with these kinds of issues so long, that it wasn't necessary to explain anything to him.

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It was that there was a company that was interested in foreign arms sales, interested in doing business with the Agency, and that I thought they were worth talking to because I had a high regard for General Schweitzer. That's essentially what I said.

And my recollection is he may have said, well, is this the Studley firm, and I said I think that's her name. So that was it.

Q You yourself did not talk to [redacted] is that correct?

A Not at that time. As I say, I think maybe much later, once I got a little alarmed about what was happening, and I did check to be sure [redacted] not some outsider or something, you know. Normally, if I were Government, I would check phone numbers pretty carefully, but this came from Casey's office and I assumed it was okay, and I did not talk to [redacted]

Q All right. So I understand, did there ever come a time, later on, in 1987, when you talked with [redacted]

A Yes. I called [redacted] once, to say that Schweitzer and Studley had been urging me to help them in their application to the Agency, an I think what I told him was what I had

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told Casey, that I had the impression that Schweitzer was a very honest guy, and that they were indeed capable of--according to him--I was operating on his hearsay, essentially--according to him and Mrs. Studley, they were able to purchase arms abroad, particularly from [redacted]

By that time somebody had told me about Werner, and, that I believed they were serious contenders for Agency purchase. But, you know, I'm not an expert in this field, and I don't think I would have made a very strong pitch.

I certainly did not view myself as an agent, or a representative of Studley. I was an informant, a person who was giving information to the Agency, that I wanted to be sure was properly understood.

Q Can you place when, in time, you had this conversation with [redacted]

A I would have guessed that was more like February '87.

Q February '87?

D A Yes. I don't know whether it's relevant, but in the brief conversation I had [redacted] I got the impression that he was very reluctant to do business with GMT.

Q That's my next question. What did [redacted] tell

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you?

A What [redacted] said was that he did not think that--contrary to my general impression, which was all I could give him--that this was an opportunity that they would want to explore, and that he did not think that he wanted to have anything to do with Mrs. Studley's firm, and I got the impression, although I do not recall any very clear statements by him, that the reason was that he did not like Werner, whatever his name is, Glatt, as the source. That he didn't trust him, and he thought he probably was, perhaps a--well, I think I'm just making the inference that he thought he might be a foreign intelligence penetration rather than an impartial contractor.

But what I simply recall is a general statement of reluctance to deal with him them, and a feeling that if he did talk to Schweitzer or Studley, or anybody again, that it would be out of courtesy to me, and because he knew that I had recommended it to Casey, rather than that he intended to go ahead.

Q Did you have this conversation [redacted] before you discussed with [redacted] your desire to pass on a price list?

A I don't honestly remember. It was around the same period of time--February-March '87.

Q But it may have preceded your contact [redacted]

A I had a feeling it preceded my contact

Q Okay.

A But I could be wrong about that.

Q Is there any writing which you know of, that will memorialize the contact that you had [redacted]

A No. I didn't make any record of it.

Q No notes?

A No.

Q No jottings? Letters?

A No.

Q No nothing?

A No. Just made a telephone call.

Q All right. How did you get [redacted] telephone number?

A I got it back from Schweitzer.

Q And you would have gotten it back from Schweitzer after Schweitzer had left the employ of Studley?

A I think Schweitzer was still around but was leaving. At any rate, he was separating, and I think it was at that time because I knew that Schweitzer was not going to continue. I don't believe Mrs. Studley had asked me to continue the contact, or do anything for her, but obviously, she was trying to keep me involved with her in some way, and I think at that point I wanted to be sure who [redacted] was and simply confirm that this was a legitimate Agency contact. And so that was the purpose of my call.

Q But so that I understand. You would have called Schweitzer. This would have been at, or somewhat after the time Schweitzer left the employ of Studley?

A That's my recollection.

Q And Schweitzer gave you [redacted] telephone number?

A Right.

Q And then you would have used that telephone number to contact [redacted] yourself?

A Yes.

Q Okay. Is there any further recollection that you have of the matters that were discussed between you and [redacted] during the course of that telephone conversation?

A No, and the reason that I'm reconstructing this in my memory as I do, is that my impression was that I was surprised by what I thought was a somewhat hostile attitude on [redacted] part toward the contact, and that that's why I decided to explain the whole material to [redacted] So that the Agency would have the information and they could do what they bloody well wanted to with it, which was my attitude.

See, I think people might believe that I was going to get a lot of money, or a big commission from proposing the arms sales with the Agency. At that time I had made no arrangement with Barbara, and we hadn't even discussed my representing with the Agency. I never did. I would never really have accepted a contract relationship for dealing with CIA, because even after 15 years I might think it could be construed as a conflict of interest.

So, I want my relationships with CIA to be purely intellectual.

Q Did you advise [redacted] of your prior telephone conversation with Casey?

A I don't know. I don't--

Q You don't remember, one way or the other?

A I don't remember. No.

Q All right. Did [redacted] discuss with you the nature of his discussions with Schweitzer about CIA pursuing this matter?

A No, no. He did not discuss the Schweitzer thing. He did not dispute my comments on Schweitzer, but, as I say, we both probably knew that Schweitzer was withdrawing, if not withdrawn, and that was not the point. The only impression I got was that he felt that Studley's main interest was in using Werner Glatt as a source, and that the Agency did not want to do that.

So I had a feeling this was going to be a dry exercise from then on, and that's when that impression was formed, and from then on, my interest was simply in being sure that the data about contacts and arms availability, and so on, was available to the Agency despite my calculation that no contract was going to be forthcoming.

Q All right. Now, you had occasion to travel with General Schweitzer in early November to, first, [redacted] [redacted] and then [redacted] is that correct?

A It's the other way around. It was [redacted] and then [redacted]

Q All right. And that trip--

A I believe. I don't know. Maybe I've got it backwards, but, never mind.

Q That trip was paid for by GeoMiliTech?

A Yes; finally. That's what my letter was about. It took me a long time to get my money back.

Q Describe for me, please, how it came to pass that you made this trip for GeoMiliTech, and what you and General Schweitzer did on that trip?

A The total purpose of the trip as far as GeoMiliTech was concerned was to go to [redacted] was a matter of personal interest to myself and Schweitzer, not really relevant, though it was a very interesting time to be there. The purpose was simple. It was to make a proposal to the defense ministry [redacted] for the purchase of a certain type of advanced weapons [redacted] This subject had obviously been discussed before, but it had languished somehow, and Schweitzer thought that if I explained that they were serious and competent, that my [redacted] friends would be more receptive.

I did discuss it in Washington with their representatives here, there was some interest, and Mrs. Studley and General Schweitzer felt that, whereas they had not received any very good responses in the past, that if I went along and associated myself with their advocacy, that they would do better.

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So I did because they paid the way, go along. I introduced General Schweitzer to several [redacted] officers, primarily, who were interested in the weapon concern, might have been interested in it, and they had a number of rather technical discussions during that week, some of which I sat in on, though I didn't fully--I didn't attempt to be involved. I was there as a political contact, not a salesman.

And we had rather useful discussions explaining what GMT thought it could do, and why they thought it was important, and there seemed to be some receptivity, but the senior authorities were unwilling to make a commitment until they had studied further the subject. And that was the net result of the trip.

Q All right. I'm going to try to help you focus in terms of dates. I have a invoice from the travel agency that billed GeoMiliTech for this trip, which suggests that the trip began on November 4th out of Dulles Airport, and continued through the 15th, or thereabouts, of November, with a return [redacted] to San Francisco, and then by way of San Francisco to Washington, D.C.

Let me show you the invoice. I suspect you've never seen that one before, but I may be wrong. Have you seen that

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invoice?

A No. I haven't.

MR. KERR: We will have that marked as our next exhibit which is ten.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 10 for identification.)

THE WITNESS: Well, now, are you sure this is the actual trip?

MR. KERR: No. I am not. That's my next question.

THE WITNESS: My feeling--I know that we reversed the order of travel, and whatever the original plan was we did the opposite, and my present, rather hazy recollection, though I think I could check it out myself with my calendar, is that we in fact went [redacted] first and came back through

MR. KERR: Okay.

THE WITNESS: But there's no point in arguing about that. I don't remember, for sure. They were such discrete missions and activity.

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BY MR. KERR:

Q The reason for showing this to you is to try to focus in on your recollection of what actually transpired. Let me ask you this question. The cost of the flight, I take it, was paid for by GMT?

A Yes.

Q So you would not have the invoicing on the flight?

A No. That's right.

Q Okay. Your passport, however, would have been marked at the time that you got to both [redacted] and [redacted]

A I think so.

Q You still have your passport, I trust?

A Yes.

Q So that your passport would tell you when you entered and left [redacted] and [redacted] I assume?

A Right.

Q If I may make this request of you: I would be grateful for the entries in your passport that would show when you got there and when you left, if there are such entries in your passport.

A I'll be able to determine when I went. I may have a--

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Q Your recollection, though, is that you went to [redacted] before you went to [redacted] is that right?

A Well, I'm beginning to doubt it, now that I look at this, because of the dates. I think I was [redacted] on the 7th of November--that's my recollection--and this looks as if I would have been there at ~~that~~ time, and have gone on to [redacted] It surprises me because the main purpose of our trip was to go [redacted] and that's what Mrs. Studley wanted, and what I expected.

But I now would guess perhaps this is the final trip, rather than--we did reverse it once, and that's what's confusing me.

Q All right. Now the date of this--

A This is about the right amount of time. We spent a week [redacted]

Q The date of this invoice is late October 1986, so it should have been relatively close to the time that you all left.

A Yes, yes. Okay. Unless I can prove the contrary, let's operate on the assumption that this is the right travel.

Q The main thrust of my questioning is a way of trying to focus your memory in on sequences.

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A Yes.

Q You and Schweitzer would have travelled together?

A Yes.

Q No one else went with you on this trip?

A No.

Q All right. And if this is correct, you would have gone to [redacted] first?

A Right.

Q

A

[redacted]

Schweitzer said that he would like, for the same reasons, [redacted] and would like to go along with me, so we did in effect piggyback, and he accompanied me

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all the way, and the stop [redacted] was simply a hiatus in our commercial plan at no extra cost to Mrs. Studley.

Q All right. Did you advise the Central Intelligence Agency before your trip that you were going?

A I probably would have told the contact people that I was making such a trip, yes. It's a big trip and I would probably let them know I was going to be out of town.

Q All right. Did you arrange to meet with General Singlaub on this trip?

A No.

Q Did not?

A I did not arrange to meet with him.

Q Did you in fact meet with him?

A In fact he was in [redacted] and he met me at the airport, much to my surprise, and he explained that he was there on an entirely different operation, activity, which was interesting but not relevant to anything I was doing.

Q All right. And he was there for what purpose, as you understood it?

A I had it very fully explained to me, by both him and General Schweitzer, that he was there exploring for the recovery of gold and precious objects that had been buried in

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[redacted] which I knew about, and that he had found clear indications that he could recover some of this treasure, and that he was representing a group of people there who were trying to do so.

Q And did you have occasion to meet with either Mr. Cummings, or Mr. Cunningham, names that we talked about previously, when you met with Singlaub [redacted]

A Not to my knowledge. I didn't meet with anybody whom I identified, except [redacted] I saw a lot of [redacted]

Q I take it Mrs. Studley's adventures on the Pia Vesta were not discussed when you happened to meet with Singlaub [redacted]

A No. I discussed nothing with Singlaub except the treasure. I thought he was crazy, frankly, but I still am not sure whether he is right, or not, but, at any rate he was persuaded totally and had been working for months, he said. And he showed me a lot of--told me things that made me believe that, that he felt he would be able to recover from several buried sites [redacted] a lot of bullion, money, and that was his sole objective, as far as I know.

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Q Did Singlaub go with you and Schweitzer when you went on to [redacted]

A No. We left him in [redacted]

Q Did Singlaub discuss with you his previous trip [redacted] [redacted] on behalf of GMT for the purpose of selling like equipment?

A No. He did not. I mean, I knew that he had been associated with Studley. I knew that Schweitzer, in a sense, was picking up some of the Singlaub account, but there was no discussion of that. You couldn't talk about anything with Singlaub except the [redacted] treasure that week, and I only saw him a short period, of course.

Q So that I understand you: Singlaub did not discuss with you his previous endeavor to sell torpedoes [redacted]

A No. No. I was at that time being exceedingly sensitive about the subject of torpedoes, and which I didn't want to discuss for international political reasons.

Q I understand.

A And at that time, also, I was really just engaging in my first consultative arrangement with GMT. I didn't want to discuss what they were up to at all, so the subject did not come up.

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Q So that I understand you: neither Singlaub nor Schweitzer discussed with you Singlaub's prior suggestion to the [redacted] that they purchase torpedoes through GMT?

A No; no.

Q Nor did he discuss with you the proposal that he made [redacted] on that prior occasion, that they use that purchase as a way of generating funds which GMT would then pass onto the contras?

A I did not discuss that at the time. I did not know about the concept at the time. I was very shocked when I learned much later, quite recently, that that had been discussed, and I gather that, not in connection with GMT, but in some way, in fact, he had encouraged the people [redacted] to provide some funds for the contras.

I realize now, that the sensitivity of my old friends [redacted] about my trying to promote GMT's interests unquestionably related to that earlier period, but at that time I simply did not know about it.

Q Bear with me. Your mission on behalf of GMT, as you understood it, then, in November of 1986, was not related in any fashion to using a sale of arms [redacted] as a mechanism for generating monies of any kind to be used by GMT for any other insurgency around the world?

A That's absolutely right. I had no such idea. I would not have approved of such a device, and would not have been involved in it.

Q During the course of your travels with Schweitzer, you were with Schweitzer a number of days, isn't that right?

A Yes, yes. That's when we really became well acquainted. Before that, it was a rather casual relationship.

Q And at no point during your November trip did he apprise you of the fact that General Singlaub had previously made an effort to develop funds [redacted] for use in other insurgencies?

A Absolutely not. All I knew was that he previously represented GMT in trying to sell torpedoes, but I didn't know any of the details, and nothing came up in my conversations with Schweitzer. I'm convinced Schweitzer did not know about it.

Q Was the [redacted] or previous potential source of these torpedoes, discussed between you and Schweitzer on this trip?

A I suspect it was mentioned either on the trip, or prior, when we were discussing the whole concept. I knew that there had been a previous approach, you see, and that it had failed, and I knew that the [redacted] were involved because that was the--they felt, perhaps, that was the reason that it had failed. That there was some sensitivity about doing business with the [redacted] So that general subject was discussed, but only in a very vague way, and there was no discussion of any contra connection.

I've thought often, that if I could recollect any, and there was not.

Q Not?

A No. None.

[Brief break.]

MR. KERR: Back on the record.

THE WITNESS: I'd like to interrupt to say that I have studying this travel invoice of GeoMiliTech concerning my trip to [redacted] and I am now refreshed in my memory enough to say that this is almost certainly the right travel dates. That we did go to [redacted] because I'm quite confident I was [redacted] on about the 7th of November, and it now appears that what we had done was change earlier plans which would have taken us to [redacted] first. So this is the correct travel schedule.

BY MR. KERR:

Q To try to use this November trip as a way of focusing your recollection on other events, we have documents to indicate that Mrs. Studley and a Graham Low--do you know Mr. Graham Low?

A No.

Q That Mrs. Studley and Mr. Low went to Switzerland immediately after your trip. This would be mid-November. Do you have any knowledge of what transpired on their trip, after your trip [redacted] later on in November?

A No, I have no recollection. The only relevant memory I can give, which is not very helpful, is that Schweitzer was concerned [redacted] about the possibility of having to go directly to Switzerland instead of returning with me. In fact he did, I believe--I think he returned with me, at least. I don't know how that came out but that was the subject discussed.

Q Well, General Schweitzer has indicated to me that he did indeed have such concerns, got such a summons from Mrs. Studley--

A And didn't go, I think.

Q And didn't go. However, one of the things that he mentioned was that perhaps Mrs. Studley was meeting with Werner Glatt at that time on that trip.

Did you have occasion to discuss Mr. Glatt with General Schweitzer, while you and he were on this trip together [redacted]

A No.

Q Did not?

A No. You see, Glatt didn't figure in the subject we were discussing, and I'm not even sure whether I knew about Glatt at that time. That all came up more in the context of the CIA connection.

Q All right. Let me shift, then, to the other direction. Let's look back to October. It's my understanding that Schweitzer went to the Central Intelligence Agency, and provided the Central Intelligence Agency with plans with regard to attempting to, euphemistically, recover an MI-24 Soviet helicopter from Nicaragua, on October 16, 1986, which would have been about two weeks before you and he went on your trip [redacted]

A Yes.

Q Using that incident as a way of trying to focus your recollection, did you and General Schweitzer discuss on your trip General Schweitzer's program for recovering a Soviet helicopter~~s~~ from Nicaragua?

A I don't think so, certainly not in detail. We had discussed it earlier. I had referred him--told him he would have to deal with it, and I did advise [redacted] the Agency of what I knew about the matter, and I was trying to disengage myself as much as possible. I don't remember discussing it further.

Q Is it you that introduced Schweitzer to Pearson and Alonzo?

A Yes, yes. I asked Schweitzer to comment on this proposal because that was when I was discussing other things in our trip, and he simply helped me by, (a) speaking Spanish, which Pearson spoke only, and (b) being extremely knowledgeable about aircraft, helicopters, things of that sort. Weapons. And he characteristically took a great deal of interest to make sure that if there was a recovery of a helicopter, that it would not be wasted, that somebody would know about it and receive it, and that was exactly my interest, too.

But in fact, as you know, from earlier discussion, the general attitude was negative on the proposal that Mr.

Pearson had made.

Q All right. Did you discuss with Schweitzer a gentleman by the name of [redacted] and his role with regard to this helicopter?

A The name rings a bell with me. I think I probably did, but I don't remember what I might have discussed. I think that was a Miami contact of Mr. Pearson's.

Q Did you ever have occasion to meet with Mr. [redacted]

A No. I never met anybody but Alonzo, initially, and then Pearson.

Q All right.

A And my object was not to get involved, operationally.

Q Did you receive any encouragement from the Central Intelligence Agency, at any time in 1986, to involve General Schweitzer in the plans of Pearson and Alonzo to try to obtain this helicopter?

A No. I got a distinct feeling of coolness about it, though that was just vibrations. I tried to avoid becoming involved in the operation itself, but I wanted to know whether I should encourage Pearson or discourage him, and they definitely gave me the signal to discourage him.

Q Discourage?

A Discourage Pearson.

Q All right. Did you apprise the Agency of your alerting Schweitzer to the possibilities of obtaining a helicopter?

A Yes. No, I fully informed [redacted] as a matter of intelligence interest, not as a matter of operations. But I told them what Pearson had said, and that Schweitzer had been extremely interested, and wanted to pursue it, thought it ought to be pursued, and I said I simply stood ready for any reaction that they wanted to pass back to Pearson, but that I had no way to control him, and that was that.

Q Did the Agency ever advise you that Pearson and Alonzo were individuals who should be handled, quote, "with caution", close quote?

A Yes, yes. That was their reaction.

Q And they would have given you that advice some time in October?

A I would think so. I think so. As a matter of fact I think it was probably just before our trip, that I told them--I did on the strength of that kind of comment, which was rather vague, but clearly not positive, that I told them to postpone any such plans.

Q Did you have knowledge at this time of any bounty that was being offered by anyone to acquire this helicopter?

A Yes, yes. General Schweitzer, who was extremely enthusiastic about the possibility and importance of getting a helicopter, said that he felt that from some sources, or other, there would be a fairly large amount of money available, and that obviously interested Alonzo and Pearson, and that there was some discussion of sums of money ranging from one million to $3 million, which Schweitzer said was clearly a bargain for the intelligence value of getting a hold of such a helicopter. That's something I'm not an expert on.

Q Did the Agency ever discuss with you a bounty that it might be willing to pay for such a helicopter?

A No.

Q Did not. Did Schweitzer ever discuss with you an interest that GMT would have in trying to obtain such a bounty for acquiring such a helicopter?

A No, no. I did not associate that with GMT.

Q All right. Were you aware of a plan, or a program that was put together by Schweitzer to try to obtain such a helicopter?

A No. What I recall is that Schweitzer said that he alerted not only the CIA but the Defense Department, I presume the--I don't know what part of the Defense Department--to the possibility, and had discussed in some detail with experts in the region what a helicopter should do, if it came out of Nicaragua. In other words, where it should go, how it should fly, and that sort of thing.

And he told me about that, and of course if someone had decided to pursue the subject, as a Government matter, urgently, it would have been important to pass all that information on to the people concerned.

So I was interested in it, but I did not retain that information nor never--in fact I told Mr. Pearson and Mr. Alonzo to "cool it".

Q Did you ever see a written plan dated October 16, 1986, prepared by Schweitzer, outlining recovery of an MI-24 helicopter from Nicaragua?

A I think I may at one time have seen such a thing. It had some maps attached to it, and he showed it to me, and it was for the purpose of briefing whoever it was that might have recovered the helicopter, but I never used it and I destroyed it.

Q I was going to say: were you ever in possession of a copy of such a plan?

A I believe I had such a copy, but, if so, I destroyed it.

Q Do you recall when you destroyed the plan?

A No.

Q But it is your testimony you do not have such a plan at the present time?

A I do not have such a plan.

Q All right. Did you have any discussions with the chief of [redacted] of the Central Intelligence Agency about such a plan?

A No. My contacts were all through the [redacted]

Q Did Messrs. Pearson and Alonzo ever discuss with you certain Mig aircraft which they had [redacted] which they desired to sell?

A No. That's a garble, I think. They told me, and I told the Agency, through the [redacted] that the [redacted] had accepted Mig-23s in their country to store for the benefit of the Nicaraguans, but this was a piece of information they were wanting, and the Agency apparently thought that was erroneous information. So they again sort of pooh-poohed Pearson's sources. That's my recollection of that.

Q An ability on the part of Pearson or Alonzo to obtain such aircraft, with the desire on their part to sell such aircraft, never came to your attention?

A No, and I don't think that was anybody's intent. I think, as I say, that report sounds to me like a garbled view.

Q All right. Did you ever discuss on your trip to [redacted] with Schweitzer, an offer that Schweitzer made to [redacted] in late October 1986, to sell seven UH-1B helicopters?

A I do not recall discussing it on that trip.

Q Do you recall ever discussing that until February of 1987?

A No, but I'm familiar with the concept, and it's conceivable that it was mentioned earlier, but I don't recall. We were focused on the torpedoes on the trip.

Q Okay. Let me show you a letter dated October 30, 1986 from General Schweitzer to [redacted] which has previously been marked as [redacted] Exhibit No. 3, which I'd like you to review. Tell me, first, if you've ever seen the document; second, if you're familiar with its content, at the time, October-November 1986.

[Witness reviews document.]

THE WITNESS: No. I haven't seen it. I think it obviously relates to the seven helicopters that were mentioned to me much later, in the documents that we looked at earlier.

BY MR. KERR:

Q So that I understand: you were not contemporaneously aware of this transaction?

A In October '86, I did not know about this transaction.

Q All right. Were you aware, after your trip with Schweitzer, that Schweitzer had met with [redacted] on the 17th of December 1986, to discuss various items which Schweitzer was offering to sell?

A I don't know the date, but I know that after the trip Schweitzer did talk to [redacted]

Q And how did you know that?

A He told me.

Q And did he tell you contemporaneously, or at a

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later date?

A I can't remember. It was after the fact, but I don't know how much after the fact.

Q Can you give me your best recollection of what he related to you about that meeting with [redacted]

A Well, I don't think he told me much of anything about it. I think he just said he had made contact with [redacted] he always called him, and I didn't know [redacted] but I knew that that was the person whose contact he had established as a result of the telephone number that I gave him.

And I don't remember the substance at all, at that time. General Schweitzer is a very communicative fellow and he talks about things that he's doing, and the CIA arms contact I was not very interested in. At that time I didn't feel I had any obligation to GMT on it.

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My interests at that time were entirely on the [redacted] and my opening up that contact was a favor to Studley and Schweitzer, simply because I was interested in their other activities.

So anything he would have told me would have been rather incidental, and casual, and I didn't focus on it very much. I don't remember any of those things.

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Q All right. Specifically, do you have any recollection or knowledge, that you would have had in the fall or winter of 1986, of efforts being made by Schweitzer on behalf of GMT to sell eight or more Mig-21s to the Central Intelligence Agency?

A No.

Q Do you have any recollection of knowledge that you would have had in the fall, winter of 1986, of efforts that Schweitzer was making on behalf of GMT to sell [redacted] [redacted] to the Central Intelligence Agency?

A No. It wouldn't surprise me but I didn't know about it.

Q Let me show you a memorandum of a December 17, 1986 meeting between Schweitzer and [redacted] and ask you if you've ever seen the memo, or if you're familiar with any of the matters that apparently were discussed between Schweitzer and [redacted] at that time.

In conjunction with that, let me also show you a December 23rd, 1986 memo from Schweitzer to [redacted] regarding offers by GMT to sell [redacted], UH-1B helicopters, and Mig-21 aircraft.

A What is this?

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Q This is a memo prepared by--

A "Physical condition of one individual"?

Q He's referring, I think, to the condition of Director Casey who, as you'll recall--

A Is this when Casey had his stroke?

Q That's correct.

[Witness reviews documents.]

THE WITNESS: No. I have not seen that cable nor do I have any familiarity with the details of it.

BY MR. KERR:

Q The document that you're referring to is [redacted] Exhibit No. 4, and your testimony is that you never saw the document, nor were you familiar, at the time, with the matters discussed in the document?

A That's right. And the same is true of [redacted] 5.

Q Thank you. Let me show you what's been previously marked as [redacted] Exhibit No. 6. This is a list of munitions, Soviet bloc, primarily, munitions, that were received by Schweitzer from [redacted] on the 29th of December 1986 for pricing by GMT. I ask you to look at it, tell me whether you've seen the document, and whether you were familiar with that list of items at the time.

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A Well, at the time, I don't know. I think I have seen this document at one time or other in connection with the preparation of the so-called recategorized list, which I gave to you. I'm not even sure. This, conceivably, could be an attachment to that one.

Q Not in that form.

A Not in that form.

Q The list continues, you're right, all the way through March.

A So some time between this time and March, I believe--this looks familiar to me but I don't know when I saw it, and I gather it was a--yes, I think it was a statement of interest on the part of [redacted]

Q [redacted]f the Central Intelligence Agency?

A Yes. But my recollection is I probably knew about that at a later period, more like March '87.

Q In conjunction with that--and if you'll just hang onto it--let me show you a memorandum to [redacted] dated December 31, 1986, which amounts to the response of GMT to this request for prices. I ask you if you've seen that document before. It's been marked as [redacted] Exhibit No. 7.

[Witness reviews document.]

THE WITNESS: I don't believe I have seen this document; however, I have heard the phrase about "items of [redacted] origin" being available later, rather than from other sources. That I have seen in some document, I suspect in the March material that they gave me. The specifics of the subsequent pages about terminology and specific weapons, I don't think I've ever seen or heard of. This is probably a repetition of thi[redacted] element. It's the only one that happened to stick in my mind.

BY MR. KERR:

Q Okay.

A But I have not seen this document as such.

Q All right. Let me show you a memorandum dated January 9, 1987, prepared by General Schweitzer for Mrs. Studley regarding a meeting that Schweitzer had with [redacted] on January 8th, 1987. I ask you, first, if you've ever seen the memorandum.

Second, if you were familiar, at or about the time, with the matters that are set forth in that memorandum?

[Witness reviews document.]

THE WITNESS: Now here's this [redacted] item again. Somewhere, I've seen this discussion about availability of

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[redacted] material. I don't remember these, this blue chip. And isn't this--

MR. KERR: That's another version of it.

THE WITNESS: Another version. I have a feeling that I probably was briefed on this memo, and may well have seen it.

BY MR. KERR:

Q You would have been briefed by whom?

A By Schweitzer.

Q And you would have been briefed, you think, at approximately when in time?

A I would think--well, not too long after this. End of January, probably, after his meeting. My feeling is that all of this material about contacts with CIA on selling weapons began to be discussed seriously with me whenever it was that Schweitzer decided to leave GMT.

In other words, he wanted to let me know what he had been doing as a result of my opening up a channel for him, and I think that was more a courtesy to me than anything else.

He wanted me to know what he'd done, and what he hadn't done, because he was beginning to "bail out", in a

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sense, and I didn't know then that Barbara was going to press me to try to continue the same efforts, and I never was very interested in that, as I told you, and while I never said I wouldn't do it, I didn't say I would.

At some point or other--I don't think this is the copy, though. I saw something more like this, just a plain printed--

Q "This", referring to what? [redacted] Exhibit?

A [redacted] 6.

Q Okay.

A At some point or other, I think I have seen something like [redacted] 6. I definitely, at some point or other, saw a reference, or heard a reference to the difference between [redacted] material and [redacted] material. This little sheet here, page, whatever it is.

Q That is part of [redacted] Exhibit--

A [redacted] 11.

Q Eleven.

A It says "G-56, page 13". The numbers don't mean anything. Anyway, that page somewhere I have seen. I don't think, necessarily, in context with this particular memo.

Q You're telling me, though, that you think that you

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have been familiar with these documents at the time Schweitzer was leaving GMT, rather than before that?

A That's right. My impression is that I did not know about any of these subjects until he had decided, definitely, to leave GMT.

Q All right. Were you familiar with an effort by Schweitzer and Studley to obtain alternative prices from other arms dealers in the mid to late January period?

A Well--

Q Let me come at it another way. Did they come to you, to ask you for the names of arms brokers they might go to?

A No, no. My familiarity with that question of alternative sources came only when they presented me that final recategorized list, indicating that they had other sources.

Q So you were not one of the sources, or sources that they went to?

A No. I was not a source. No, no.

Q Okay. And it would be your testimony, that you were not conversant with the "grey arms" market, and them who peddled in it at that time?

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A I was not. I was not anxious to become so. I only followed most of this discussion so as to be sure that any useful information the CIA otherwise did not know would get to them.

Q Okay. All right. Specifically, a meeting that was held on January 12, 1987, with another arms broker, would not have been a meeting that you set up, would not have been a meeting that you helped arrange?

A I never arranged any meetings with arms brokers.

Q All right. And you are not familiar--

A Unless someone's an arms broker, that I don't know is, but, you know, I mean, I was not aware that I set up such a meeting.

Q Let me put the question to you another way.

A If you have the name of someone that I would react to.

Q I have a name, but it's a sensitive name. You are not familiar with, I take it, [redacted]

A No.

Q You are not witting of [redacted] as your friends across the river like to say?

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A That means nothing to me.

Q All right. That's fine.

A Okay.

Q Let me show you a letter dated January 14, 1987, to [redacted] from General Schweitzer, and I ask you if you've ever seen it before. It's been previously marked as [redacted] 13.

A I believe I saw this at some point. Again, it may have been among the briefing papers that Bob used when he said now we--you know--"Barbara wants you to continue on, and I want you to know what I've been doing". This looks familiar, but I don't have it anymore.

Q Okay.

A I threw away most of that stuff, as soon as I could, and often I offered it to [redacted] If they didn't take it, I usually tore it up because this is not something I needed.

Q All right. So that I understand, then: if you saw this, again, it is most likely that you would have seen it at the time Schweitzer briefed you when he was leaving GMT?

A Yes. That's right.

Q And that would have been late February 1987?

A Is that when it was?

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Q Yes, sir.

A You see, I don't remember when he left.

Q According to his testimony it was late February.

A Well, then, it's definitely after this.

Q Okay. That's fine. You were not familiar, contemporaneously, with [redacted] No. 13, then?

A No.

Q Okay. Now we've already talked about your version of the March 9, 1987 document.

A Yes. I think that's the same one.

Q All right. Just another copy of it.

A That's when I really began to learn something about these weapons things.

Q All right. Let's go back to the meetings in March. The meeting of March 19, 1987, with [redacted] you do you recall the meeting?

A I know I had such a meeting.

Q Your calendar confirms that it was about March 19th?

A Right. It was, exactly. I have the time. It was a morning meeting, ten o'clock. I just checked that.

Q All right. In terms of what was discussed at that meeting, you do recall discussing, at that meeting, GMT's

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interest in pursing the potential for contracting with the Central Intelligence Agency?

A Yes. And I gave him access to a lot of papers which were related to that, and I don't recall what they were. As I say, my standard practice would have been to give them to him or to throw them away. I think, mainly, it was the one that you just showed me, categorized.

Q In the context, then, of your letter of March 9, 1987--excuse me--of Mrs. Studley's letter to you of March 9, 1987, she makes mention in that letter of a lunch on March 3rd, 1987?

A Yes.

Q You and she did have lunch?

A We did have that lunch.

Q Was anyone else present at that lunch?

A I don't believe so. I could be wrong. I don't remember.

Q Schweitzer was not present at the lunch?

A No. Schweitzer was definitely not.

Q The purpose of the lunch was what?

A The purpose of the lunch was to ask me if I would continue efforts to sell the torpedoes [redacted] which she

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knew I was keenly interested in, and I said, well, I don't--you know--I don't think it's a very "hot prospect", but I'm willing to do what I can for you. She said, well, I want to retain you, I want to have you really work for me now. I realize you've been doing this all for free, in effect, after that first contact, and then she said, I also want you to take up the possibility of selling things to CIA, because you know better than anybody else how to do it.

I said, you know, I'm not very interested in that, Barbara. Well, will you consider just being a general representative of my company? That was the gist of the conversation. And I said, well, at the right time perhaps I will. Let's see how things turn out, what's going to happen with Bob, and, you know, already I knew then that they were being investigated. Bob was beginning to tell me that they were, or would be.

Q To put it in context, the story that broke in the newspapers broke in late February, around the 19th through the 20th of February 1987.

A Yeah, that's right.

Q I take it you would have discussed with her that publicity?

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A I suppose, though the recollection I have of that publicity was from my discussion with Schweitzer, and Schweitzer called me around that time when that publicity broke, and said, my God, Singlaub and Barbara have gone to the press and told the story about previous activities that I didn't know about, and you didn't know about, and it's no wonder we couldn't do better than we did in working out something with [redacted] There was a whole back history there we didn't know.

And I said, oh, that's fascinating. That probably explains what I thought was a rather odd resistance to going ahead with GMT at the time, and so it was undoubtedly when that newspaper story broke that Bob talked to me about it. I don't doubt, then, that some reference was made to it in my lunch with Barbara, but I probably wouldn't have pursued it because I had already discussed it with Bob.

Q All right. Let me pursue what you did discuss, as I understand it. She says in the letter, that she appreciates your willingness, apparently expressed at this March 3rd meeting or lunch--

A Yes. Right.

Q --to proceed on behalf of GMT to conduct the

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ongoing negotiations through, what she says is your corporation--

A ClinExpo.

Q ClinExpo. Right. First question: what is ClinExpo?

A ClinExpo is a commercial corporation set up about three years ago, when I was being persuaded by some Italian wine and cheese merchants to try to import Italian commodities, of a variety of kinds, to this corporation. Like so many of these proposals, I went into it as a way of keeping contact with some interesting people, and nothing every came of it, commercially. ClinExpo.

Q ClinExpo continues to exist, is that right?

A It continues to exist, and has had two or three clients who may have paid as much as a total of $20 or $30,000 for consultation on opportunities to invest in trade and do things.

Q Who are the stockholders of ClinExpo?

A I think my wife and I are stockholders, and our children are in some companies, and not in others. I do not think they are in ClinExpo. The principal stockholder is a man, now about to die, I'm afraid, in Italy, an Italian-American, who's the one who got me involved in all these commercial deals, and we set up the company for his convenience, primarily, so that--

Q His name is what?

A His name is Nisi. N-i-s-i. Marcello. M-a-r-c-e-l-l-o. And I believe that he and his wife, Mrs. Nisi, are the principal stockholders of ClinExpo. It's never made any money and it's never dispensed any money, so it's a shell corporation.

Q It's state of incorporation is what?

A Delaware.

Q Delaware?

A Yes.

Q And it was established approximately when?

A I think approximately three years ago. I'd guess it was 1984.

Q What attorney incorporated the company?

A I can't tell you now, but it was--it's one of the big Washington firms. I can't tell you. I forget.

Q All right. The letter says that you were willing to proceed on behalf of GMT with the torpedo negotiations through ClinExpo, is that correct?

A That is an exaggeration of my position. I said I

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was willing to try to help her continue to keep this project alive. She asked if I would undertake it under some auspices other than GMT, since I think she felt, probably correct, that GMT was kind of damaged as a result of the Singlaub publicity, and she asked if I would simply represent her in any corporate capacity that I had. Well, I was unwilling to offer SIFT, which is the commercial company I use for consulting, and I said, well, if I am going to do this, I would probably want to use a separate corporation that has nothing else to do.

So that if we happened to be able to pull something off for your benefit, it would be a very narrowly identified thing, and that's the way the subject of ClinExpo came up. But her statement there, as I say, is an exaggeration. It was a subject we discussed. I did not refuse. I did not accept.

I told her, frankly, I wanted to wait and see what happened before we went ahead.

Q Are there any other corporations that you have--pardon the expression--"on the shelf"? Are there any other corporate entities that you have?

A Yes. That's one which was originally intended, as

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I say, to make it possible for Italian firms to import things into the United States, and help develop trade between Italy and America. That was the concept. A second one, which was set up at the same time--the only other one I have anything to do with--is a going concern called Arbor--A-r-b-o-r--which imports Italian wine to this country, and is now--

Q That sounds like a good operation.

A Well, it was a good one, but it got started exactly when the scandal about Italian wine being poisoned came, and we lost our shirt on that, and I'm now trying to close it out. Those were set up at the same time, with the same burst of enthusiasm from Mr. Nisi, and they were my efforts to keep any purely commercial activity separate, not only from my nonprofits, but from my private consulting, which is intellectual activity.

Q This company is Arbor, Inc., is that right?

A Arbor--yeah--Arbor Imports, Inc.

Q It is also a Delaware corporation?

A Yes.

Q Its stockholders are also Nisi, Nisi's wife?

A Nisi's wife.

Q Yourself? Your wife?

A Yes. Possibly my two daughters or their husbands, but I honestly--oh, at one point, there was a young man who was trying to help me sell wine, was a president, but I don't believe a stockholder. These are all minor--you know--not very successful financial operations. Nobody profited very much from any of it.

Q She makes reference to banking arrangements that have been established through an exceptional attorney, Laurent Levi. What banking arrangements is she talking about in this March 9 letter?

A I assume that she's talking about--my recollection from the lunch is she's talking about the banking arrangements that would be used to facilitate an exchange of funds in connection with the torpedo purchase. That's the only banking I ever had any discussion with her about.

Q And do you recollection what bank, what Swiss bank she was talking about?

A I do not.

Q Do you recall why it was, that this transaction required the services of a Swiss as opposed to a U.S. bank?

A Well, I think she thought that this purchase would be a foreign weapon, would not go through the United States, would be transferred [redacted] and that it would be better for confidentiality--which was desired by all concerned--the seller, the purchaser, and everybody else--to handle the banking outside the United States. I don't think there was anything particularly devious about it; it was just to use a foreign bank rather than a U.S. bank.

Q All right. Well, I'm just curious, what's coming down here, because she's also talking about a third country. What other country would she be talking about?

A I think I know. Let me see. One from the third--yeah.

Q [redacted] I understand. What was the third country?

A The third country is [redacted]

Q [redacted]

A Yes.

Q All right.

A There was a discussion of "other third countries", and that's why we used the term "third countries". At one point, they were suggesting another, actually [redacted] country, but by the time she had lunch with me, she was thinking that the way to do this was only through [redacted] and that also was my view, and limitation, that the [redacted] were not exactly the people that we wanted to do business with at this point. But again, her memo and her letter--and that's why I showed it to you, particularly--is a one-sided proposition.

This was sort of the proposition she was making at the lunch, which I did not reject, and I said in principle, "Barbara, you know I'd like to help you, but now that Schweitzer's gone, I don't know whether I can even spend the time on it. He did all the work. I just introduced him to people, and I don't know that it's worth continuing, but let's let it ride for a while, and we'll discuss it later".

So that's why I showed you the letter. It sounds as if we had a more contractual relationship than we do.

Q Bear with me. You must understand, in light of the document that we saw from December 20, or thereabouts, 1985, that talked about a three-way transaction, which on that occasion involved the [redacted] GMT as the arms broker, and then a vast array of revolutions around the world that were going to benefit from it--I have an abiding interest in transactions that Mrs. Studley is involved with with "third countries".

A Well, let me explain to you: this is entirely different. This was a proposition that the weapons involved be sold from a European country to a third country--in this case [redacted] --possibly another country, which would have been a near-Eastern country--and transferred to [redacted] There was no association in any of my discussions, with either Schweitzer or Studley, with Central America.

Q All right. But she says there are four brokers and four countries involved. I'm just curious as to what she's talking about here. Do you recall?

A I assume the fourth country would be the United States, her, in other words.

Q Okay.

A [redacted]

Q

A

Q I take it?

A as the intermediary, willing to purchase the weapons and then transfer most of them to [redacted] The fourth county, the only one I can think of is U.S., which is GMT. As I say, another country in the [redacted] was discussed, but by the time I had lunch with her, she had said, you know, that just won't

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work, we'd better just stick with [redacted] so I assume that she's referring to herself. I'm only interpreting the language. I don't remember what she said.

Q This contract is March 9 of 1987. She's talking about a meeting that subsequently would take place in Geneva. Did that meeting ever take place? The meeting to discuss this deal, this torpedo deal. You don't know whether it took place?

A I don't know. I don't know.

Q All right. In terms of pursuit of this transaction, did you in fact pursue it?

A I discussed the subject with my friends in the [redacted] representation here in--

Q [redacted] meaning [redacted]

A [redacted] And frankly, I said to them, I don't imagine you will want to pursue this now, but I want you to know that the GMT still wants to do it, and if I were useful in helping you do something you wanted to do, I'm very politically supportive of the [redacted] and I said, you know, let me know--in effect--let me know, if you think there's something still to be pursued. And in effect, what my friend here said was, not now, and that's where it stands.

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Q All right. Did that imply to you, that after Congress went on its way, and the publicity settle down, they might be willing to pursue it?

A Frankly, I don't think so. I think they were just being polite to me.

Q Or just not liking to say "no", directly.

A They don't' like to say "no"--frankly, not--but again, that's why I left it open-ended with Barbara. Why tell her that there's no opportunity.

Q I understand. All right. But there has been no action on this matter--

A There has been no action on this matter and I--

Q And as far as you're aware, this matter was not a matter that was designed to generate a "slush fund" that would be used to buy weapons to engage in revolutions elsewhere?

A I can guarantee you that no one ever suggested to me that idea.

Q All right. The cable that was prepared by the Agency on its meeting of March 19, 1987, relates essentially to what you've told me.

A Did I talk about anything else? I can't remember.

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Q Well, there is a mention of what's contained in the March 9 materials about a T-72 tank, and the like.

A Yes. Okay.

Q But then there is a reference to an individual described as an Israeli-born arms dealer who works out of Brussels, Belgium, who gave an envelope to you, which you then passed on to the CIA agent, whose name I keep butchering. Mister--

A [redacted]

Q

A That's right.

Q And that you passed that envelope on to him?

A That's right. I did not retain it.

Q All right. In terms of the Israeli-born arms dealer who works out of Brussels, Belgium, did you at that time know the identity of that arms dealer?

A At some point I did know the name, but it didn't mean anything to me.

Q Do you know the identity of that arms dealer at present?

A No.

Q Do you know anything more about that arms dealer?

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A No. He just was someone that Barbara thought was a "good guy" and therefore was evidently trying to do a favor to, is why she'd made that--those materials together. I asked about it because I said what the hell does he gain by this? What's he trying to do? Is he trying to blackmail somebody or torpedo somebody? And said, well, she thinks that the U.S. ought to know that the guys are "bad guys", and that's why he gave the material to me.

And actually, she gave that material to somebody else as well as to me, so I--someone in the Customs Service, that she told me she had given it to. So when her son brought it around to me, I just turned it over [redacted] I said I don't want to get into this; if you want it, take it. If you don't, let it go.

Q Do you know, in the arms of what country this dealer dealt? Were they Eastern bloc, Soviet bloc arms, or what? Do you know?

A No. I just don't know. I just didn't get into that, you see. It was only a source of information about Iranian arms merchants who were in this country, and apparently--and I thought that was an internal security affairs.

Q Let me show you a collection of documents under a

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"Washington Post" logo which I'd like you to look at, and tell me if these are the documents that you passed on to the Agency at the March 19th meeting.

[Witness reviews documents.]

THE WITNESS: Lavi. Yeah. These are the--the first one is. I assume they all are. This Tufanian--"It is decreed that the imperial armed forces will refrain from any contract with this company". Yeah. I think this is the same stack of documents as--certainly, the ones I recognize are.

MR. KERR: These we would like to have marked as Exhibit 11.

(Whereupon, the above-referred to document was marked Cline Deposition Exhibit No. 11 for identification.)

THE WITNESS: And, incidentally, that's characteristic of what I do for the Agency. If somebody hands me something I think might be of security interest, I pass it along, but I don't take any interest in it because I'm not in the business any more.

BY MR. KERR:

Q You were given these documents by Michael Marx, is

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that correct?

A Michael Marx. That's right.

Q And Michael Marx is Mrs. Studley's son?

A Yes.

Q And the documents relate to the Lavi brothers. L-a-v-i. Do you know anything about the Lavi brothers?

A No, it was all news to me, but they sounded like fellows people should know about.

Q One of the Lavi brothers is a Houshang Lavi. H-o-u-s-h-a-n-g, Lavi. You don't know anything about Mr. Lavi?

A No. I don't.

Q You were not aware that Mr. Lavi is one of the witnesses that the U.S. Customs Service intends to utilize in its case against various folks from Israel and other countries, who ostensibly were engaged in purchasing arms for delivery to Iran? The case is now pending in New York City.

A Well, I'm not aware of that. I think there's some reference to the arms, illegal arms purchases for Iran in those documents, but I didn't retain them so I didn't study them very carefully.

I don't know anything about Mr. Lavi, or the Customs case.

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Q The Customs case is a case that was made by Cyrus Hashimi. It's the "sting" case up in New York.

A I see.

Q And Mr. Hashimi having met an untimely end. Do you know anything more about why Mrs. Studley was interested in your passing this information on to the Central Intelligence Agency?

A No. I don't. I was curious about it, but when she told me she'd passed it on to the Customs Service, and thought it ought to be of general interest, I say, well, okay, let me have it. I'll see if my [redacted] friends are interested, and, somewhat to my surprise, [redacted] seemed to be quite interested in it, and took it, and that's the last I--I said don't bother to give--I don't want a copy.

Q Have you had any subsequent conversations with [redacted] about these materials, the Lavi brothers, the New York "sting" case, Cyrus Hashimi, or anything else relating to this matter?

A No. I just don't follow up on those things unless there's something I need to do to get more information.

Q Did [redacted] ever tell you what, if anything, eh did with this information?

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A I don't believe so.

Q All right. Have you have any subsequent conversations with [redacted] about this matter?

A I don't believe so. A kind of comment these [redacted] people make is, there was some interest in information you gave us. He may have said that, but, if so, that's all I know. There was no follow-up, no additional information imparted.

Q You were not asked to determine for the Agency who the Israeli-born arms dealer might be?

A No. I was not.

Q You were not asked to obtain any further information on this matter?

A No.

Q And you have not in fact done so?

A I have not, no.

Q All right.

A As I say, I think Barbara did at one time tell me the name, but I've forgotten it.

Q If that name comes to you, I would be grateful if you would relate it to us.

A Okay.

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Q All right.

A She was very secretive about it, so that's why--I have a great skill at forgetting the things that I don't need to know, because I've lived 45 years with a lot of information that I want to keep very carefully compartmented in my mind.

Q Okay. You do recall advising [redacted] that the arms dealer, source "A", whatever it was, that was referred to, was Werner Glatt?

A Yes. The source "A". The [redacted] papers, yes.

Q Yes. And in that regard, did [redacted] say anything to you about the Agency's view of Werner Glatt?

A I believe he confirmed to me the impression I had form my brief conversation with [redacted] which was that Werner was a "bad man", but that's about all I got. That was just, I think, a personal impression of [redacted] who seems to know something about these things, more than I do. I think he had been involved in studying [redacted] a good bit. He certainly knew a lot more about Werner than I did.

Q Do you recall telling [redacted] on March 19, that if you were unsuccessful, through him, in making renewed contact with [redacted] you were prepared to make contact with acting CIA Director Gates, to ask him to re-establish the

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relationship?

A I don't remember, exactly, that conversation. I think what I said was that if he had difficulty getting a response--which is often the case with the [redacted] people--that I was willing to talk to Gate about it, but that I'd prefer to treat it as an information problem, because I didn't want to become an advocate. I wanted to be simply informed as to any real interest by the Agency.

I was afraid that, in view of what I thought was [redacted]ather negative attitude, that just nothing would happen. I know how bureaucracies work, and I did think that someone in a senior position should know that there was an allegation that this capability existed and could be used.

And it was so confusing to me as to prices, and sources, and so on, that I just wanted to be sure someone was paying attention. That was the "drift" of my comments to [redacted] You've got to remember, [redacted] seemed to be a very young man to me, and I was sort of coaching him how to get the response he need, bureaucratically.

Q Do you recall advising [redacted] that it was you who had previously put Studley in contact with [redacted] as a result of your contact with Casey?

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A Yes. Yes, I think I told him that.

Q And your understanding was that that was true, is that right? You are the one that opened the door for Studley, through your contact with Casey?

A Well, not initially with Studley. I put Schweitzer in contact with [redacted] on behalf of Studley. It turns out she had been in contact with Casey a long time before. What I'm talking about is the November-December 1986 period. That's what I told [redacted] You've got to remember--I didn't know who Barbara was before some time--October or November 1986.

Q Do you recall telling [redacted] at the March 19 meeting, that Studley had been actively supporting the contras, and possibly the Afghan resistance?

A I don't remember about the Afghan, but by this time I think I was reflecting the Singlaub-Studley story about their '85 arms transaction.

Q Do you recall saying or implying anything to [redacted] that Mrs. Studley and GMT would be particularly worthy of CIA contracts, in light of Studley's good works for the contras in the past?

A I may well have said something like that. I would

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have been referring to what she told me, after the Singlaub news story, and I think perhaps I discussed with Schweitzer that they had successfully transferred arms in 1985, in a way that they considered totally legal, and internal to the United States, and therefore, not faulty in any way. And I would have concurred in that, as long as no laws were broken.

I felt that arms for the contras were a matter, a benefit to U.S. strategic interests in the Caribbean.

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Because that is my judgment on a strategic issue, I might well have volunteered that [redacted]

Q All right. You did in fact meet with [redacted] on the 27th of March?

A Yes. Were the two dates that were mentioned in my notice. I did meet.

Q And where did you meet with [redacted] at that time?

A In my office. I always met in my office.

Q Who else was present when you met with [redacted] on the 27th?

A I don't remember. I don't remember what we talked about on that occasion. The two dates are mixed in my mind. I don't recall, exactly, what the purpose of those two conversations was. Had I just come back from a trip, or

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something?

Q I can't--

A You can't tell--

Q --tell you that.

A I would have to do some research to do that. I didn't have time to do that.

Q Do you recall, that when you and [redacted] were meeting on the 28th, that Michael Marx came into your office?

A I believe he did, yes. I think I introduced him to [redacted] at some time, in a meeting, when I was--it was accidental, as far as I know.

Q Do you recall what it was that Marx told you in [redacted] presence at that time?

A No. I don't recall, now.

Q Do you recall that Marx told you that Mrs. Studley and GMT had just been served with a subpoena from the House Select Committee?

A Oh, I think that might have been what happened, yes, and I may have advised--if so, I probably would have advised [redacted] because I thought he would be interested to know that the firm I'd been telling him about would be subject of inquiry. I didn't remember I'd done that, but I

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probably did.

Q Do you recall what you told Marx in the presence of [redacted] regarding the House of Representatives' subpoena?

A No. No, I don't.

Q Do you recall telling Marx, in the presence of [redacted] that he, Marx, should tell his mother, Mrs. Studley that she had not been in contact with the CIA, since she had only been in contact with yourself, and that the whole affair had been very tentative? Further, that you advised Marx that his mother should not mention discussing with you the possible arms purchase, because that, too, had been tentative?

A Well, I am sure that what I was saying is what I've been saying to you about this contract, that--and, see, this is after--this is probably after my luncheon with her, right?

Q Yes, sir. This was March 27th.

A I think what I was saying was, look, don't say that we have an arrangement to sell arms to CIA because I have not agreed to do so for you, and my approaches to them were tentative, and so far inconclusive, and I don't expect--I don't know that we'll be able to do what you hope for. That would have been the gist of the message I was trying to give to Mrs. Studley, which is what I had given her earlier, and

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had nothing to do with their being under investigation.

Q If the CIA agent, [redacted] understood you to be telling Mr. Marx that his mother should not--his mother, Mrs. Studley--should not comply with the subpoena, and should not identify to the House of Representatives, that she had been endeavoring to contract with the Central Intelligence Agency, he would have misunderstood what you were telling Mr. Marx, is that correct?

A Yes. All I could have possibly been trying to say--and I don't remember the words, I don't remember the conversation, particularly--was to say, do not exaggerate because of your wishes, and hopes, your chances for selling arms to CIA. She was very--I think she tended to believe that if I supported her long enough, and earnestly enough, she would eventually be able to succeed. My personal opinion is that that's unlikely to happen.

So, I was talking about her actual contractual relations in the 1986-1987, and future period.

Q At that, or any other time, have you told Mrs. Studley, in conjunction with the House of Representatives' subpoena that was served upon her, that she should not be fully truthful and forthcoming with regard to her relationship

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to the Central Intelligence Agency?

A No, no. Never told her that. I don't even read that sentence that way, although it's a little elliptical. It could be interpreted as suggesting she not say anything about her contacts. I don't think that's--I wouldn't have said that because, you know, it's on the public record. I called Bill Casey. I know that those matters are matters of record.

What I was saying is that you don't have a "live" contractual relationship, and therefore, be careful to distinguish that you don't. Now I wasn't telling her what to say about 1985 because I didn't know anything about that. I was talking about our current relationship.

Q All right. One of my objectives in issuing the subpoena was to try to make clear, on the record, for both the Senators and the Members of the House, what it was that you were doing on March 27th. One way that this incident could be construed, quit4e frankly, Doctor, is that you were telling Mr. Marx to convey to Mrs. Studley that she should not comply with the subpoena insofar as the CIA was concerned.

That, I take it, was not your intention?

A Of course not. I wouldn't give her advice on that

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subject anyway. She had lawyers to advise her on what to do.

Q She sure as not does. A whole passel of them.

A A whole passel of them, yes. And, you know, I'm not that close to Barbara. I was doing a favor for Schweitzer, and ended up with Barbara on may lap, is what it really amounted to. I think she is probably a patriotic woman. I don't know much about her performance, but her views are that she thought she was doing something in the national interest which some people disagree with, and I tend to by sympathetic with people who try to do that.

Q So we're clear: you did not tell Marx that his mother should not mention to the House of Representatives, that she had been in touch with you about an arms contract?

A No, no. I imagine I might have said to him, as I had said to her, do not misconstrue our discussions to indicate that we have a contractual relationship of any kind. I did not want it to be implied that I was actually working for GMT, and if there was going to be an investigation of it, I hoped that that would be clear, which is the fact.

Q Do you have knowledge today, of any documents that Mrs. Studley has not provided to the Senate and the House in response to the subpoena, at your instruction?

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A I have no such knowledge at all, and obviously, not at my instruction. Actually, the only two documents that I was concerned about are the ones I just gave you--the draft contract and the draft retainership, which looked to me as if people might construe a closer relationship than I considered to exist, and therefore, I want to be very careful about that documentation.

Q You indicated in your March 27, 1987 meeting with [redacted] apparently, that you were planning to have lunch with Gates in April. Did you in fact lunch with Gates?

A Yes, I did. That had been long scheduled, and I'd been trying to arrange a lunch with him for some time, and, again, I have a firm policy to not let your junior officers be upstaged by their bosses, and I told him about it. In fact we did not discuss any of these things, seriously, because things had changed. I was really concerned about Casey's death, and--

Q When, in April, did you meet with Gates?

A With whom?

Q With Gates.

A Well, I can't remember. I probably gave the date to [redacted] but I don't recall. I'd have to look it up in my

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calendar. It was changed several times, but I finally did have lunch with him quite a bit later than I'd originally expected.

Q Who else was present then?

A Nobody.

Q I'd like you to give my your fullest and most complete recollection of what you discussed with Gates at that time.

A Well, you've got to remember that I was--I hired Gates for the Agency, although he was--

Q I didn't know that. Is that right?

A Well, he was a, what we called a career trainee, and he remembers that I brought him in when I was Deputy Director, and spoke to the group. I don't remember that. You know, I hired a lot of people. But he did come on board when I was still DDI. So we have a kind of avuncular relationship.

I was mainly trying to find out from him how he felt the Agency was prepared to deal with what seemed to me to be another time of criticism and, perhaps, excessive negativism, like the period in the mid-1970's, when I felt that the Agency suffered a great deal from the "fallout" from the Church

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Committee. The Church Committee had a good purpose, but in my view committed some investigative indiscretions that did the Agency a good bit of damage. I wanted to find out whether Gates thought this was a danger, again. He didn't really know and didn't express any opinions on that. I mainly asked him what his own personal intentions were. I told him I thought that the Adminstration had handled his situation very badly. He's a career officer. He should not have been put up as DCI unless they were, for some reason, prepared to fight it through and get him appointed.

That putting him up, and taking him down was humiliating, and I hoped that he wouldn't take it personally. I said, you know, it's just part of the climate in Washington these days. You should not take it personally. I hope you will stay on in your DDCI job, and help this new man who's coming in--he was not yet in--because the Agency has to survive no matter what the problems are, and it's going to be a rough time. And he told me that he intended to survive. That was the main thrust of our conversation.

Comments about Casey. I forget. Casey had not yet died. He was very low. I asked him about Casey's health. He had seen Casey since I had. It was a sentimental conversa-

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tion, for the most part, quite different from what would have taken place if it had taken place several weeks earlier, as I had anticipated.

Q Was there any discussion of the prior meetings that you'd had with [redacted] about GMT?

A I don't think so. I don't remember bringing it up. I wouldn't guarantee it wasn't mentioned, but this was not much a business meeting. This was a philosophical, historical discussion, ranging back 25 years.

Q Do you have any recollection of making a request of Mr. Gates that the CIA reconsider its decision not to do business with GMT?

A No, no. I'm sure I did not do that. I could conceivably have mentioned that they were interested in it, but I don't think I did that, either.

Q I have taken you way over time, but let me try to wrap this up real quick. I'd like you to look at Graham Exhibit 4, which is a memorandum that was provided to us by counsel for Mrs. Studley. I'd like you to look at the document, tell me if you've ever seen it before, and if so, under what circumstances.

[Witness reviews document.]

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THE WITNESS: Goodness. This is a weird one. No. I have not seen this. I don't know who--Koszuros, who's that?

BY MR. KERR:

Q That's the lawyer for Mrs. Studley.

A That's the lawyer. Is there any indication who the author is?

Q Mrs. Studley, I believe, wrote that document.

A Koszuros is the author of the cover memo, but--I see. Oh, you think Barbara wrote that?

Q Yes.

A Well, that sounds like Barbara. She's a little "wild" sometimes, I must say.

Q The memo you've never seen?

A I've never seen it.

Q And you don't know the circumstances under which it was written?

A No.

Q Let me close with two newspaper stories that I need to take a look at.

A All right.

Q The first is a "Los Angeles Times" article of June 13, 1987 which talks about work that we are doing with regard

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to Cyrus Hashimi and in a note, on the last page, it mentions Houshang Lavi. I'd like you to read it enough to tell me if it gives you any further recollection of knowledge that you would have of why Studley was passing on to you information on Houshang Lavi. Any connection it might have with the untimely demise of Cyrus Hashimi?

A When did he get knocked off?

Q He died before we had a chance to talk to him, unfortunately, back in '86.

A Oh.

Q It's long before--

A '86. Oh, not when this--

Q Long before this blew up.

[Witness reviews document.]

THE WITNESS: Wild. I don't remember anything more about that. I honestly didn't pay much attention to that. I see. So he was a, presumably was a good guy.

MR. KERR: At least he was a snitch that started the Customs Service's case. He was a little nervous about his current well-being.

THE WITNESS: Maybe that's why Barbara wanted to give it to the Customs Service. It surprised me that she gave

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it to me.

MR. KERR: You know, anything you can tell me about what she told you when she passed the packet onto you.

THE WITNESS: Well, she didn't pass it. She sent it over--

MR. KERR: By way of Marx.

THE WITNESS: She probably called me. She sent it by her son.

BY MR. KERR:

Q And he didn't tell you anything more about the Lavis?

A No, no. I don't think he knew anything more about them, and I kept asking, why does anybody want to do this?, and they said, well, this guy in Belgium is probably the one who has some axes to grind, you know, but he's a "good guy" and it ought to be available to people, and which is an argument I tend to make on almost anything. But I don't know any of that detail.

Q And that doesn't give you any further recall?

A Doesn't refresh my memory on it, no.

Q All right. There is an investigation going on relating to Mrs. Studley and her activities with regard to a

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couple of Florida banks. I'd like you to take a look at a June 11th article from the Miami "Herald" which outlines what the Miami "Herald" knows about those investigations, to see if they stir any recollection of knowledge that you would have about knowledge of Mrs. Studley's activities relating to these banks, and her use of these banks to finance activities relating to the contras.

[Witness reviews document.]

THE WITNESS: You know, this is the sort of stuff that makes my eyes glaze over. My observation is these businessmen cheat each other all the time. I've become so disillusioned.

MR. KERR: It's what keeps us lawyers busy; God bless them.

THE WITNESS: It keeps you guys in funds. That's right. I can't make anything much out of it, to tell you the truth.

MR. KERR: All right. Well, let me ask you a specific question.

THE WITNESS: Is there some special angle on it?

MR. KERR: Yes.

BY MR. KERR:

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Q Do you know Louis F. Petrillo, the former president of the Bayshore Bank?

A No. I don't know him. I never heard his name.

Q Have you ever had any business transactions yourself with the Bayshore Bank?

A Absolutely not. No.

Q Do you have any knowledge--

A Bayshore is Florida, isn't it?

Q Yes, sir.

A Not in Long Island.

Q That's true.

A Okay. No.

Q Do you have any knowledge of a loan that GMT obtained in the amount of $500,000 from Florida National Bank to further its relationship with Israel in 1985?

A I didn't know that, although Barbara throws the names--the name Israel around, and says she's got a lot of banking connections, but I didn't know about this one.

Q Do you have any knowledge of a $1.5 million letter of credit issued by Florida National Bank ostensibly to aid Mrs. Studley in raising money to purchase weapons for the contras in 1985?

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A No. No. This is all prior stuff.

Q Do you have any knowledge of a $1.5 million loan from Bayshore Bank, utilized to pay off the defaulted letter of credit of Florida National Bank when it came due in the summer of 1986?

A No. I get the impression Barbara has financial troubles, but that's all I can say.

Q In terms of her Florida banking difficulties--

A I don't know anything about it.

Q --you know not, is that right?

A I know not. Absolutely.

MR. KERR: Well, Doctor, many thanks. I think we have succeeded in covering my outline. I appreciate it.

[Whereupon, at 2:15 p.m., the deposition was concluded.]

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I have read the foregoing pages, which contain a correct transcript of the answers made by me to the questions therein recorded.

____

RAY STEINER CLINE

- - -

Subscribed and worn to before me this __________day of _____________________, 1987.

____

Notary public in and for:

My commission expires:

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CERTIFICATE OF NOTARY REPORTER

I, Terry Barham, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me and thereaftrer reduced to typewriting by me or under my supervision; that said deposition transcript is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Terry Barham, Notary Public in
and for the District of Columbia

My commission expires May 15, 1989.

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March 9, 1987

Dr. Ray S. Cline
1800 K Street, N.W.
Suite 1102
Washington D.C. 20006

Dear Ray,

This letter is to acknowledge our conversation during lunch on Tuesday, March 3, 1987.

I appreciate your willingness to proceed on behalf of GMT and to conduct the ongoing negotiations thru your corporation, "Clinexpo".

As you are aware, I have worked over two years in the effort of obtaining the essential torpedoes [redacted] Prior to 1984, I spent considerable time during the three years on my radio show informing my listeners on the necessity of supporting our proven friend and ally, [redacted]

Due to the importance of this transaction, any media attention from GMT's earlier efforts to help Maj. General John K. Singlaub must be eliminated. Therefore, your corporation, and your personal attention in handling this negotiation would be in the best interest of all concerned.

The banking arrangements have been established thru an exceptional attorney, Mr. Laurent Levy, 23 Quai Des Bergues, 1211 Geneva, Switzerland, Telephone: [redacted]

Mr. Levy is French, married to an American and highly respected by the Swiss banking community.

The [redacted] attorney would work closely with Mr. Levy, Mr. Levy in turn would instruct the Swiss bank to begin this process, [redacted] must provide a letter to you clearly stating their desire to purchase, and the exact number of torpedoes desired.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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5180

GeoMiliTech Consultants Corporation
1919 Pennsylvania Ave., N.W., Suite 300 / Wash., D.C. 20006 U.S.A., Telephone: (202) 887-0516 / Telex: 904278 GMT.Wash., D.C.
☐ WASHINGTON ☐ MIAMI ☐ TEL AVIV ☐ FRANKFURT ☐ SEOUL

March 9, 1987
Page Two

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The additional 30 million dollars will provide the necessary funds for the 3rd country, the four brokers involved, (each country has an agent), and the attorney in Switzerland.

After you receive the letter of intent, [redacted] will provide a contract clearly outlining the cost of the torpedoes, and all additional items. At that time, [redacted] will approve the contract. Two contracts must be approved. One from the 3rd country to [redacted] and a contract between the 3rd country and [redacted] These legal details will be carefully concluded between the attorneys of all parties. Said meeting will take place in Geneva.

Upon the final approval of the contract, [redacted] would be required to establish an irrevocable Letter of Credit for the full amount of the purchase, therefore assuring the 3rd country that the funds are available, on demand, at the time that the torpedoes are ready to be shipped FOB [redacted]

Sincerely,

Barbara F. Studley

Barbara F. Studley
President
GeoMiliTech Consultants Corporation

BFScb

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[illegible] 24NOV86

SIFT, Inc.
(Strategic Intelligence Future Trends)

UNCLASSIFIED

November 24, 1986

Lt. Gen. Robert L. Schweitzer, USA (Ret.)
GMT
1919 Pennsylvania Avenue, Suite 300
Washington, D. C. 20006

Dear Sir:

For the record please treat this letter as an invoice to GMT for my professional services in the [redacted] [redacted] project.

The trip we made to [redacted] called for a flat $10,000 fee plus expenses which I understand you have already paid or will reimburse separately.

In addition my pre-trip preparations involved numerous briefings, readings, telephone calls, and meetings with principals involved. At a very minimal hourly billing account my calculation indicates the equivalent of two full work days expended for GMT, for which I request payment at $1,000 per day or a total of $2,000.

With much appreciation,

Cordially,

Ray S. Cline

Ray S. Cline

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by K. Johnson, National Security Council

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DEPOSITION OF [redacted]

Wednesday, April 22, 1987

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House of Representatives,
Select Committee to Investigate Covert Arms
Transactions with Iran,
Washington, D.C.

The select committee met, pursuant to call, at 10:00 a.m., in Room EF-100, The Capitol, W. Neil Eggleston (Deputy Chief Counsel for the Committee) presiding.

Present: Senator Heflin; Charles Kerr, Counsel, Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition; ~~to Investigate Covert Arms Transactions with Iran~~; Diane Dornan, Associate ~~Assistant~~ Staff, House Select Committee to Investigate Covert Arms Transactions with Iran; David Pearline, Legislative Liaison, CIA; E. Page Moffett, Office of General Counsel, CIA.

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Whereupon, [redacted] after having been first duly sworn, was called as a witness and testified as follows:

EXAMINATION

BY MR. EGGLESTON:

Q [redacted] just so the record is clear, I am Neil Eggleston, Deputy Chief Counsel for the Select Committee to Investigate Covert Arms Transactions with Iran. Representing the Senate is Chuck Kerr, who is an attorney with the Senate Select Committee as well.

This deposition is being conducted pursuant to, at least on the House side, H. Res. 12, which establishes the Select Committee to Investigate various incidents, including the activities of the U.S. Government and others involved in the Iran affair, as well as the jurisdiction of the committee extends to the Contra investigation as well.

So this deposition is being conducted on the House side pursuant to that resolution and there is a substantially similar Senate resolution.

MR. PEARLINE: Before we begin, I would like to point out for the record that [redacted] is a CIA employee [redacted] and that his name has heretofore not been revealed publicly with respect to his involvement in the CIA support to the NSC initiative.

[redacted]

[redacted]'s name should not be publicly associated with the CIA and we trust ~~that~~ that individuals at this deposition and those who read this deposition will honor this request.

MR. EGGLESTON: All right.

BY MR. EGGLESTON:

Q [redacted] let me begin just by asking you if you could, to give for us in a brief fashion your professional and educational background up until, say, the summer of 1985.

[redacted]

[redacted] and then became the Deputy Chief of NE Division until May -- April, I guess it was, April of 1986. And have been Chief of NE Division since then.

Q And your current position then is Chief of the NE Division?

A That is correct.

Q NE stands for Near East?

A That is correct, in the DDO.

[redacted]

[redacted]

Q I would have thought it would be. And so then from July of 1985 until April of 1986, you were involved as Deputy Chief of the North East Division and then until present, Chief of the North East Division?

A Yes.

Q Could you explain your duties first as deputy chief [redacted] and then your duties as Chief of the North East Division?

A [redacted]

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[redacted]

Q So that I understand, so one of the things that you did during the period of time that you were deputy is that you read most of the cable traffic involved in the NE Division?

A I would say almost all of the -- the purpose was to read all of the important operational cables.

A Did anybody screen it for you?

A Yes. [redacted] So there was a sort of 20, 30 percent of the traffic that I wouldn't have seen.

[redacted]

Q Let me sort of get to that. I just have a few more questions about this administrative type duties before getting to specific facts. I take it that there were also regular meetings of the senior staff of the CIA, that there must have been regular meetings with the director and the senior staff, is that correct?

A Yes.

Q Do they happen on a regular basis?

A I am not sure I am the right person to ask that.

Q Let me ask you, how often as chief of the NE Division would you or did you meet with the director?

A Only when called to meet him or there was a problem that we would take up to the DDO that he would want taken on up to the director.

He then might or might not take me along.

Q So you were not part of a regular staff meeting that would have been conducted?

A No, the only regular staff meeting I attend at a higher level as the chief of the division would be a weekly staff meeting with the DDO, and as the deputy I would attend that only when [redacted] were absent.

Q Let me get -- I guess I will ask the question in this fashion -- is there any record kept of staff meetings or is there a note taker of minutes with the DDO that you just described?

A No.

Q Did you indicate when the staff meetings took place?

A Once a week.

Q And is it a regular time?

A Well, it changes from time to time. [redacted]

Q Let me start when maybe most people start at least, I would like to start in or about the summer of 1985. During the summer of 1985, and I have gotten this from a number of witnesses so I don't want a lot of detail from you, but could you generally describe to me your own personal knowledge of Mr.Ghorbanifar, his relationship with the agency and his then status with the agency.

Was he someone who was known to you by name at that time?

A I am not sure that he was at that time, although the agency and NE Division had had a fair amount of experience with him. I would have known of him because of the 1984 experience with him in which he provided allegedly sensational information that there was a terrorist team out to assassinate ranking officials of the U.S. Government,and I was in NE Division during that time and recall that we did do a polygraph of him and found that he was showing ~~disception~~ deception on all principal questions. So he was well and unfavorably known to us by the summer of 1985.

Q So by the summer of 1985 you were aware of him---

A We had a pretty sensitive file on him by that time, which you have at your disposal.

Q As I refer you to documents so the record is clear, I will refer to the CIIN number which is at the bottom of the documents. This is CIIN -- this is No. 511. Let me show you that and ask you, is that document familiar to you?

A. This is the 1984 fabricator notice which was disseminated to several other government agencies after we and the Secret Service had gone through this -- that episode with Ghorbanifar. This was originally written in NE Division.

Q Do you know who was the officer, official responsible for the decision to issue a fabricator notice on Mr. Ghorbanifar?

A That would have been taken principally in NE Division, that decision, possibly consulting with the DDO. There was a great deal of consternation about that case because it did involve an awful lot of time by us and the Secret Service in tracking down whether or not that could be true in part, if not in whole.

We have to take all such things very carefully and seriously. So there was a -- there would not have been, having had the polygraph come out as badly as it did, there would not have been much argument that such a fabricator notice should be issued.

Q Let me ask you so that I am clear, do you recall whether you were personally involved in the decision to issue the fabricator notice to make the determination that Mr. Gorbanifar should have a fabricator notice issued on him?

A I do not recall that.

Q. Is that something that you as deputy chief would probably have been involved in?

A It should have come across my desk, should have been something that I read and signed off on. It would have been approved by the chief of the division, and all paper coming to the chief of the division has to come through me first.

Q Let me ask you as well -- there must have been a lot of people who provide information to the agency whose information turns out to be incorrect, and as to most---

A There certainly are [redacted]

Q That is what I assumed.

Could you just describe for me what it takes before the agency makes a decision that whatever the person has done is sufficiently serious that a fabricator notice should be sent out on that person, and that question is a little out of order -- how many of those are sent out on various people during the course of, say, a year? Is this a fairly routine document; is this the only one in the 1980s that was ever sent out by the agency?

A I would estimate that NE Division sends out [redacted] And in our experience, people like this would have elaborate stories, some of which is based on some true facts which are checkable but may not have anything to do with terrorism, it takes an awful lot of time to check these out.

[redacted]

[redacted]

Q So what I get from what you are saying is that the decision to issue one of these is not a routine matter, there are certain sort of factors or qualifications that must be present before a decision would be made to issue this kind of a document?

A The most important factor is ~~whenter~~ whether somebody is [redacted] then we issue a fabricator notice.

Q Let me ask you about some events which took place in the fall of 1985, just to obtain your level of knowledge of things that were happening. I understand you were not principally involved until 1986, but on or about September -- let me ask this first -- on or about August 30th, and then again on September 12, 1985, there were shipments of TOW missiles from Israel to Iran, 500 in late August and an additional 500 on September 12th, I don't remember the exact date. Were you aware at the time that they were taking place of those shipments? I don't mean aware through official sources. What I really mean is were you aware through intelligence or any other kind of information that they were taking place?

If that was too complicated a question, I will break it out.

A That is all right. I am looking dumb because you are giving me some figures that I have never heard before. I know a lot more about this now than I did then. The September flight is the one---

Q I am sorry, I gave the wrong figures actually.

There were 100 in August and 408 in September. I gave you the wrong figures. No wonder you are looking at me strangely.

Were you aware of those two flights delivering those?

A I am still not aware of the August flight. I did't realize that that was a split shipment. I thought that all took place in the September flight. We heard whiffs of the September flight from overt press reports that were coming out of [redacted] and we have provided you with some cables on what we did know in the succeeding weeks and two months.

And there was one hint that maybe there was something involving the NSC, a cable coming out [redacted] [redacted]. The only other thing I can tell you about that period was that it wasn't the first time that we had had a sense that the Israelis might be involved in providing arms to Iran. [redacted] so there had been a pattern of the Israelis were maybe doing something.

Q This was a pattern though that resulted in release of a hostage?

A The September one, yes.

Q Did your intelligence information connect the events of the release of the hostage with the delivery of the weapons?

A It didn't in NE Division. I have recently seen [redacted] which make it very clear to me that that was known in the building. But NE Division did not see [redacted]

[redacted]

[redacted]

Q And did -- you did not have any awareness of [redacted] contemporaneous with the events, is that correct?

A That is correct. [redacted]

Q Do you know the reason that you did not see [redacted] in September of 1985?

A Well, as I have said before, there are a lot of things that I am a lot smarter on now than I was then. I am told that [redacted] came [redacted] to Charlie Allen [redacted] and that he shared them with the director.

[redacted]

Now the question I cannot answer, your next question is, I don't know who else the director might have shared [redacted] with.

Q You are exactly right, that was going to be my next question, who else had seen them.

Was it unusual [redacted] not be shown to the NE Division?

A Yes, that is highly unusual. It is not unheard of in the agency for something to be very highly compartmented, even though it might involve the area division. Even though it might be taking place in an area that an area division was responsible for. And I would say that had been particularly true if it was essentially a White House operation.

Q Were you aware that Colonel North had asked Mr. Allen [redacted] in mid September of 1985, were you aware of that at or about the time it took place?

A No.

Q Had you met Colonel North as of September 1985?

A Yes. I had probably seen him at two or maybe three meetings by that time.

Q Did any of those involve -- any of those meetings involve efforts to get the hostages released?

A Probably, because we did by that time have American hostages. Colonel North was involved in hostages --

[redacted]

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[redacted]

Q Let me ask you about the way your filing system is maintained. Is it fair to say or would I be accurate in saying that there is a general computer capability at the agency that maintains various name indices, an ability by the agency to check individuals by name? Is that a fair statement?

A Yes.

[redacted]

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BY MR. EGGLESTON:

Q Do you know whether Mr. Ghorbanifar is in the DI system?

A No, I do not. I would be a little surprised if he were, but -- I could find that out for you.

A Actually I guess that would be hopeful. I guess I would be surprised if he were, too.

Could Mr. Allen in October of 1985, could he have the DI system searched to determine whether or not an individual is reflected?

A It would be difficult for him to do without it coming to any division attention.

[redacted]

[redacted]

Q Do you know whether Mr. Ghorbanifar's alias of Nicholas Kralis, do you know whether that is in the computer?

A No.

Q How about his name Ashgari, do you know whether he is in the computer under the name Ashgari?

A I can check that if you like. Both of those names should be in.

Q Was -- you would suspect that they would have been in as of October of 1985?

A Well, if you tell me Kralis was in the 1984 burn notice, then that should have been. The burn notice is the same as a fabricator notice.

Q Was the name [redacted] familiar to you? Did you know [redacted] as of October of 1985?

I know these are hard questions to ask what you know at a time a year ago?

A Yes, I sometimes have to sort out what I knew then and what I know now. I don't believe -- yes, the first time I heard that name as I recall, was when [redacted] I took those over to Colonel North.

And Colonel North told me the true last names of the two people Kralis and Ashgari, I think it was, meaning

Ghorbanifar and [redacted] That, as I recall, was the first time I had heard [redacted] name, and I am sure of that because I had a name trace done when I came back to the building.

[redacted]

Pages 26 to 28

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[redacted]

Q Did you have any conversations with Colonel North at the time as opposed to conversations that might have taken place with Mr. George earlier, that you may or may not have been aware of, did you have conversations with Colonel North at the time about the reason that he was interested in these individuals?

A No. My instinct on something like this would be to respect his compartmentation, and I would ask him -- I would ask him no questions other than what else he -- what other support he might need, but I would let him volunteer what he wished to volunteer.

Q You had indicated then that after this conversation with Colonel North you returned to the building and ran a name check?

A That is my recollection.

Q Did the name Ghorbanifar, as of the time that Colonel North mentioned it to you at your meeting with him, Ghorbanifar, did you talk to Colonel North about Ghorbanifar? Did you alert him of the prior experience that the agency had had with that name?

A I don't remember having done so.

Q [redacted] were there any discussions with anyone at the agency about the reason Colonel North might have been involved with Ghorbanifar. [redacted]

A Not that I remember. And I am fuzzy on that. It is possible, but I don't remember.

Q Let me show you what has been marked as CIIN 1034, if you could read that and tell me if you have seen this before:

Had you seen this prior to now, if you recall?

A I have read his 201 file. And I suspect that this is out of his 201 file. I don't remember it, but I would imagine I have read it before -- I am sure I have read it before. And it says that this approach in July of 1985 was connecting [redacted] who was described as the [redacted] -- so contrary to what I have said in the last five minutes, we should have had hit that he was at least described by -- presumably by Ghorbanifar as that. That, in fact, is not his real title, but is a typical Ghorbanifar exaggeration.

Q This, and there are three of these total -- let me show you this one as well, 1033---

A All right.

Q First who is it to, and who is it from?

A I don't know.

Q Do you know who Arnie is; or Peter?

A No, I don't.

Q This would appear to relate -- I think that is dated the 12th of February?

A Is this a CIA document?

Q Yes, I presume it is. At least we got it from them. I think they are all out of the 201 file. Here is the third of the series, which you had not seen, 1032, for the record.

A I can't put a name to either Arnie or Peter in NE Division.

Q Let me start with number 1034. Who is this cable to and who is it from, if you can tell me?

A Yes, I can. This is to [redacted] and it (U) is from NE Division.

Q Why don't you go to 1032, which is the other cable? Do you know who that is to and who that is from?

A Well, that references the cable which we are calling 1034, so this is the reply to the first cable. It is a reply from [redacted] to headquarters. So it would have come to NE Division.

Q You have no recollection of seeing these cables in the summer of 1985?

A No, but I am sure I did at the time, unless I was out at that moment, you know, on a trip or something. I should have seen these.

Q It strikes me at least that these would have been the kinds of cables that would ring bells everywhere.

A These would come to front office attention. The outgoing is authenticated, means signed off on by somebody in the front office.

Q Just so that I am clear, who do you mean by someone in the front office?

A Either [redacted] or myself. And usually, but not always, both of us.

Q These cables together with, I guess it is 1033---

A Yes.

Q Seem to indicate that as of the summer of 1985, the agency was pretty aware that there had been a contact involving Mr. Ghorbanifar, who I think is identified a few places here -- I think they have got his moniker?

A There is no question you can tell from the cables that we figured out that the Manachuhr had to be, even though he is describing himself as ranking Iranian intelligence officer, had to be an arms merchant, drug dealer [redacted] [redacted] Ghorbanifar.

Q Do you have any recollection that there was any follow up to any of these? These are the only cables at least that I have seen on this sort of around this time, and then thereafter NE Division appears to have not have been involved.

Do you recall whether there was any follow up to these activities?

A Well, 1033 helps me a little more than the other two cables do on it, because that refers to me by, or [redacted] and gives more hint of where this is coming from. It starts off with update on Hashemi's escapade, and I don't have the full memory on that, but Hashemi -- there was a Hashemi something that came to us through the director as I recall.

And it involved a previous contact, I think, with [redacted] And what we -- and I am basing this, not on memory, but on the three documents in front of me -- what we would have seen here was yet another attempt by Ghorbanifar to foist one of his complicated fabricator operations on us. And our bias against Mr. Ghorbanifar is such that the reason you won't see a follow up is that we would have done our best

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to not have anything to do with this.

MR. KERR: Let me ask a couple of questions. I am referring to a document that has not been produced to us by the CIA, but was produced to the Tower Commission. It is a memorandum from Director Casey to the Chief NE, dated, June 17, 1985, reporting that on June 17 Mr. Casey heard from John Shaheen, who was at that point dying of cancer, That a Dr. Cyrus Hashemi is under indictment for attempting to Iran, claimed to have discussed with the Iranian Foreign Minister an exchange of hostages for the release of the Da-Wa prisioners in Kuwait, TOW missiles, and the nolle prosequi for Hashemi.

When I piece ~~peice~~ together what happened here, we have that document, these three documents, and my hunch would be there have to be a few more. You have no recall of any directions from the director to look into this matter?

THE WITNESS: Yes, I do. Let me see that -- once you say Cyrus Hashemi and the nolle prosequi is what would drive that, because Hashemi through his lawyers was indeed trying to figure out a way to involve us with him in a deal that would get him -- would enable him to come back to the U.S. Government. He would do something for the U.S. Government which would provide him with nolle prosequi. And that should be in a Cyrus Hashemi file, which I would think you might have.

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MR. EGGLESTON: I don't think we have it yet.

MR. PEARLINE: I thought it was sent to the Senate Select Committee earlier, the Intelligence Oversight Committee in December?

THE WITNESS: I do not recall, that that had to do with Ghorbanifar, but clearly it did, and we got this Ghorbanifar opportunity, if you want to call it that, through Cyrus Hashemi. I can tell you that -- and we should make sure that you have that file, because it is obviously pertinent -- if you don't have it, we will provide it to you. I can tell you that we decided, and I was personally involved with Mr. Casey on this one -- we decided that we would do nothing to work with Cyrus Hashemi that would enable him to get a nolle prosequi under CIA ~~auspicious~~ auspices.

MR. KERR: That is fine, but apparently you also were being told at that time of a potential opportunity to free the American hostages through Ghorbanifar and [redacted] and that apparently came by way of the Hashemi contact.

Who in the Near East Division had responsibility for dealing with this matter, what human being that we can talk to?

THE WITNESS: Well, I think you need to talk to both me and to [redacted] and I think I would imagine that we were the two people who were involved. And our interest

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was in deciding essentially risks versus gains. Here you have a fabricator once again coming up, this time he is coming through Cyrus Hashemi, with whom we have also had bad experiences.

Mr. Shaheen, the late Mr. Shaheen, was urging the director on, saying this was a good opportunity through Hashemi, and I think you will find from the Hashemi file that NE Division was stiff-arming this.

MR. KERR: Let me throw out some things that cause me to think there has to be more in the file than what we have heard.

We know in June or July Mr. McFarlane met with Mr. Kimche about Mr. Ghorbanifar. We know during this period of time that Mr. Shaheen's good friend and an acquaintance Roy Furmark is Hashemi's partner, in June or July of 1985. It is conceivable you don't have anything in your files revealing a state of knowledge that the NE Division has, but it is hard for me to think that you got this kind of a call from Casey and told him you were going to close the door on him.

Casey doesn't strike me / Casey would be that easily put off, so what did you know in June or July of 1985 about these characters who have come back to haunt us for the next two years?

THE WITNESS: I think what you have done and you really should read the file -- there is a file --

MR. KERR: I hope I will get a file not blacked out so I can't read it.

THE WITNESS: We drew through that, and I think that will spell it out for you pretty clearly. We did indeed talk Mr. Casey into not following up on this possibility for legal reasons of Mr. Hashemi's problems with the U.S. Government.

MR. KERR: It is your testimony that in June or July you had no knowledge that the same sorts of contacts by Mr. Ghorbanifar [redacted] and all, were being made at the White House?

THE WITNESS: No, I didn't.

MR. KERR: The [redacted] is it the [redacted]

THE WITNESS: No, that is the [redacted] It is a cable [redacted]

MR. KERR: Did you know at the time of contact with [redacted] on these characters and what they had in mind in June or July of 1985?

THE WITNESS: We did not. I think what you got is doing as usual, you see, you have got what is typical for a man of his background -- you have him going to several different people saying I can do something.

One of those he is going to is Cyrus Hashemi, who has got himself a big legal problem with the U.S. Governme so he says, here is a ball I can run with for my own purposes. At the same time, unknown to me at the time, he is using -- did you say---

MR. KERR: Ledeen, McFarlane and others---

THE WITNESS: Ledeen to McFarlane, ~~and~~ al one approach, the Hashemi one, you would find was stiff-armed by CIA, and the other one was not stiff-armed by McFarlane.

MR. KERR: You did tell Mr. Casey what you knew about Mr. Ghorbanifar and the Near East Division's desire not to be involved with Ghorbanifar in June and July of 1985, I take it, is that correct?

THE WITNESS: My recollection is the principal consideration of that was don't get involved again with Cyrus Hashemi and his legal problem with the Department of Justice. The second part of that certainly would have been it appears that this all has to do with Cyrus and something that Ghorbanifar is recommending, and if that is true, and we would be attempting to verify that by asking the cable directly [redacted] and having them go [redacted] that that is all the more reason Mr. Casey, not to touch this one.

[redacted]

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[redacted]

MR. KERR: [redacted] 5 November, you talk to Colonel North, you identify one as [redacted] and the other as Ghorbanifar, and you didn't pursue in the agency what these folks were doing with Colonel North at that point?

THE WITNESS: We pursue what Colonel North is doing?

MR. KERR: Yes, to find out what Ghorbanifar was doing?

THE WITNESS: I am sorry, but you are asking me why I am not investigating Colonel North.

MR. KERR: I think that probably is a fair characterization, yes, sir.

THE WITNESS: And I will tell you that that is not my job to investigate Colonel North.

MR. KERR: I am sorry.

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BY MR. EGGLESTON:

Q Before I get off this topic, let me ask it in a slightly different way. The question is not whether or not you were investigating Colonel North; the question is whether or not, seeing that Colonel North was involved with these same two people, whether that led you to inquire into whether or not Colonel North had pursued the initiative that you had rejected in the summer of 1985? Did this lead you to go back to Casey and say, Did this go on through another channel, because you knew Ghorbanifar was the kind of guy that would go to different sources, different ways to get the information.

That is the question Mr. Kerr is asking, not did you conduct an investigation of Colonel North. Did that cause you to go to Casey saying, Are these guys duping Colonel North and NSC. I think that is the question he is asking.

Do you recall doing anything after finding out that now you have [redacted] requested by North of the same two guys that you had this run-around with in the summer of 1985?

A I think in retrospect, it is pretty easy to put these pieces together. You take this piece here and that piece there and obviously you see the whole thing.

I can tell you that the September flight, and you have got some cables on that, which involved the Israelis, and the Ghorbanifar's something, something offered up -- we didn't put together until December. Although if we tried and we had taken all these pieces and put them together, it was there. [redacted] it was very clear that Ghorbanifar is running this thing and that he is the mechanism that the NSC is using, and even obviously the Israelis are playing a role, because there is a plane that went that has something to do with Israel when it comes back.

It again has to do, I think, with our attitude toward compartmentation, that we will not -- we operations officers will not investigate an NSC sensitive operation. Whatever wish that we had that there might be one, we are not going to actively go out and snoop on them. We have got a lot of other things to do.

BY MR. KERR:

Q What pervents you from asking Colonel North, Did you know these folks in June or July went through the same drill with us. Why didn't you just ask him? That is not in the protocol?

A When I had my discussion with him, he gave me that name and as I have said, I didn't respond to him. The name did not -- Ghorbanifar did not mean anything to me.

Q Had you received any instruction at this point from Mr. Casey not to look into these matters?

A No, I did not.

BY MR. EGGLESTON:

[redacted]

A Well, I guess you would have to ask Charlie

Allen that since he was directing that program. And, as you know from other testimony, he was being directed by Colonel North not to discuss this with anybody in the DDO, and he did not, to my knowledge. [redacted] there came a point when I began [redacted] I think that was in January, after the DDO became involved with the NSC.

Q You do not think that you were aware [redacted]

A I could tell you that if I saw them. I have no recollection of them and strongly suspect in the context, since the DDO was not to be involved in this, that I did not see them.

Q I have not read them myself, but I have talked to people that read them, [redacted] and that is something that would have stuck in your head. Is that --

A I would think so.

Q Were you -- when is the first time that you were actually consulted about Mr. Ghorbanifar in the fall of 1985?

There comes a time in December of 1985 when you are asked to do something with regard to him; is that right?

MR. KERR: [redacted]

BY MR. EGGLESTON:

Q [redacted] I thought there came a time in early December when the division was asked to do a name check or run a tracer on him. Is that right?

A I think you are right. My scenario says that on 3 December, Michael Ledeen informed Charlie Allen that the true name of Ledeen's Iranian contact was Ghorbanifar.

Q That was not a conversation in which you participated, I take it.

A No. On 7 December, NE Division provided to Mr. McMahon, the DDCI, full traces on Ghorbanifar, pointing out that he was unfavorably known to the DDO and had been a subject of a fabricator notice in August, 1984.

Q Were you personally involved in that?

A No.

Q Did you know that that was taking place?

A I have a dim recollection of it, yes.

Q Do you know if you knew the reason that the -- that Mr. McMahon had asked for a trace on Mr. Ghorbanifar?

A No, I don't remember.

Q There was a -- you know -- there was a flight which took place in November of 1985, ~~--~~ were you aware that that flight was taking place as of the time that it was taking place?

A No.

Q There was then, as you now are aware of, a flurry of activity in the Agency after the flight took place involving Ed Juchniewicz, Mr. McMahon, I think the Office of General Counsel became heavily involved.

Were you aware that any of that was taking place?

A I was aware within a few days after that flight that Mr. McMahon had hit the overhead and was angry about our involvement in the flight, and was insisting that a new Finding be made.

Q Did you know that the flight that you are talking about involved a flight into Iran?

A Yes, I think that word did come to [redacted] and then to me.

Q Did you know at that time that it involved Mr. Ghorbanifar?

A No.

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Q Obviously not the flight, but that the initiative involved Mr. Ghorbanifar?

A Well, there comes a point and I don't know when that is, when we had to have put that together. The extent to which it was a Ghorbanifar operation became very clear to us when he explained to [redacted] later on in December,and that sort of spelled it out for us in a lot more detail, for the first time to NE Division. We had not been receiving that from the NSC.

Q What was your understanding of the reason that McMahon had hit the overhead? What was your understanding at the time?

A My understanding is that -- that is an expression meaning that McMahon was exceedingly upset, and he was obviously upset about the Agency's involvement in that flight.

I don't recall how much more detail NE Division got about that flight, and when we got it, because we weren't in at all on the question of should the flight go or where should it go. And so -- you know, there would have been discussion of it upstairs probably with [redacted] but I don't remember how much detail he got.

Q Do you recall a particular meeting that he attended?

A No, I don't.

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Q Did he -- I take it you didn't attend any meetings --

A I did not.

Q -- with senior members of the Agency about this issue.

Do you recall talking about the issue with [redacted] about what had happened and what the problem was?

It seems to me that you are now in a position where someone has made a flight to a country that you consider generally within your area. Not only has that occurred, but it has also caused the DDCI to hit the overhead and if I were in your position, I think you would find out what had gone on. Why did someone in my area screw up; what is someone doing messing around in my country without me knowing about it?

Did you conduct -- when I say an investigation, I don't mean in a technical sense, but did you do anything to determine what had gone on?

A Well, obviously that flight request came from Colonel North, and we must have learned that pretty quickly. But the -- and then, you see, we are into what he had just done a few weeks previously. I had been talking to him about Ghorbanifar. There has to come a point fairly early after that flight when that plus name trace, plus flight puts this all together in our minds, but I don't know what that was. And then, you see, once the Finding starts getting talked about, it becomes a Finding for the Agency to support the NSC operation.

So by early December, we are beginning to look at a possibility that somebody in the Agency, probably NE Division, would be supporting the NSC in some way in whatever this thing was that they were doing.

I recall no preliminary discussions about what form that would take, and I was not involved in the question, nor, to my knowledge, was [redacted] involved in the question of what form should that Finding take. This was something that is going on up there on the 7th floor, it is obviously political and legal, and to some extent operational, and they are working something with the NSC, and when they get that put together, they will let us know.

Q But you don't have any recollection of [redacted] attending a meeting related to this general issue in early December?

A I don't.

Q It is from the cable traffic that we have read that involves this particular time period, late November through early December it is apparent that there is at least a contemplation for four or five additional

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flights into Iran, each carrying a planeload of Hawk missiles.

Did you know that there was planning under way on behalf of the Agency to provide additional flights of weapons into Iran? By that time, I think they know pretty definitely --

A Could I see those cables?

Q I have some of them. I am not even sure I have some of them.

A Well, the reason I ask is that if those are NE Division cables --

Q They are generally cables sent and received not by the NE Division but by Dewey Clarridge.

A No, we didn't see the Dewey Clarridge cables.

Q There is a --

A I just need one that is a director cable. If you look down at the bottom of the director cable, you will see that the originator, authenticator and releaser is Dewey Clarridge.

That means Dewey Clarridge did no coordination whatsoever.

Q So if there were plans for additional flights going in, you were not aware of them?

A I was not aware of Dewey Clarridge's series of messages.

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Q Dewey Clarridge at that time was chief of the European Division?

A That is correct.

Q Did you ever see the mini-Finding, the draft form?

A I saw a Finding, the Finding signed by the President on 18 January. I did not see any prior drafts or any Findings -- in fact, we didn't know that there were a series of drafts until well into these investigations.

Q Let me take you -- let me tell you what my plan would be, to take you fairly quickly through what you probably thought was the beginning of your involvement in this, take a break for lunch and come back and finish up in the afternoon, if that is okay. So I will take us probably up through the Finding and the signing of the Finding, but pick up with your meeting on the 18th after we get back from lunch, if that is all right.

A Okay.

Q Do you have any further involvement with the Ghorbanifar issue or this general issue between the time that you respond to this request for information about Ghorbanifar around December 7th and December 20th when the NE Division receives the instruction to conduct an interview of Ghorbanifar -- did you have any involvement in this between those two times?

A No.

Q Did you have any knowledge about -- let me ask this. Did you know that the reason that you were being asked to provide information about Ghorbanifar is that there was an upcoming meeting at which Ghorbanifar would be discussed, a fairly high-level meeting involving senior United States Government officials?

A I think we did know that McMahon was going to take that information over to the White House, as I recall.

Q Did you know he was going to meet with the President?

A No.

Q Was Casey out of town? Is that your recollection? Why is it McMahon and not Casey?

A Well, they often went together, and this may have been an occasion when they went together. I don't know. Certainly Mr. McMahon would.

Q Did anyone tell you the restuls of that meeting -- when I say "that meeting," you had indicated that you knew he was taking it to a meeting at the White House. Did anyone tell you the result of that meeting?

A It is possible they did. I don't recall it. It is fairly shortly after that -- the problem I am having is the name traces asked for on the 7th, I don't know when the meeting is that you are referring to. But by 20 or 22 December --

Q You are back --

A We are being instructed to. That came down from the 7th floor from -- Casey was involved in that and that word that we were going to send somebody out to have a chat with Ledeen and Ghorbanifar was greeted by NE Division with more than a little consternation.

Q Let me just -- I am going to get to that in one second.

Actually, there was a meeting on the 7th that McMahon attended that was at the White House. The following day Mr. McFarlane, maybe it was that evening, Mr. McFarlane left to meet with Mr. Ghorbanifar in London.

Were you aware of that?

A No.

Q When he returned, there was an additional meeting at which Casey was present, immediately after he returned, I think it was the 10th of December.

Were you aware that Mr. Casey was then meeting at the White House in order to discuss this issue again?

A I may have been at the time. I don't recall it.

Q By 10 December, had anyone other than this name trace, had anyone consulted with you about your opinion of Mr. Ghorbanifar?

When I say "anyone," I mean Mr. Casey or Mr. McMahon or Mr. George.

A Well, the trace went up on the 7th of December and that would have given us occasion to give the NE's sizable bias on it.

Q Do you know whether there was any wor~~l~~d briefing of McMahon about Ghorbanifar as opposed to merely providing you with documents?

A I don't recall for sure, but I suspect, and this is very fuzzy, I suspect both Clair George and [redacted] met with him on it. And little more than a guess, but I vaguely recall that.

Q You don't have any doubt that if asked about Ghorbanifar, that [redacted] and Clair George would have told Casey that he was not someone that the Agency should be dealing with?

A A very firmly held view. Now, you know there is a point there where despite knowing that, you also have the political problem of the President, possibly Bud McFarlane and the NSC wanting to do it despite that information, and there clearly was a bridge that was crossed on this, that we were going to do something, try this mechanism out despite DDO's restraints.

Q On the 20th, on or about the 20th, when the assignment comes, or the direction comes to interview Mr. Ghorbanifar, I take it that comes to [redacted] who then gives it to [redacted]

A That is my recollection.

Q Were you consulted about who it was who should actually conduct the interview, or would that have been something you would be concerned about?

A [redacted] was the [redacted] chief at that point, and he would have been the logical person.

Q Do you know who -- did you speak to [redacted] prior to the time that he went out to interview Mr. Ghorbanifar -- I think that interview takes place in the evening of December 22nd.

A [redacted] would have handled that.

Q You don't have any recollection of talking to him yourself? Well, when I say "talking to him," I mean talking to him about his interview.

A I was present when this was discussed on a couple of occasions and I don't recall whether I was present with the instructions before he went to the meeting. I know I was present when he reported back.

Q I am interested in knowing what [redacted] from your point of view, what his assignment was. What was the point of his interview? What was it that he was supposed to be doing?

A I think you will get a good answer from [redacted] [redacted] I would say that the -- without the precision that he will be able to give you, that the tenor would have been to see what we could do to turn off an involvement by the DDO with Mr. Ghorbanifar.

Q Let me ask it slightly differently. Apparently this request to interview Mr. Ghorbanifar came directly from Mr. Casey. Was it -- I am just wondering if you know why it is that Mr. Casey wanted once more for there to be an interview with Mr. Ghorbanifar by the DDO. Was he going to talk to him about terrorism information? Was [redacted] specifically briefed on the backgrounds of the Iran hostages-for-arms initiative --

A Ghorbanifar did have another one of his large involved stories about terrorism, which that is in his file, and it involved a conference of terrorists that had taken place in Teheran. It involved a discussion of Libyan involvement, terrorist involvement with the Iranians as well as with Palestinians, so most of that polygraph exam, which is in your possession, does center around his terrorist information.

Q On the 22nd, [redacted] meets first with Mr. Ledeen and immediately after that he meets with Mr. Ghorbanifar, has a substantial conversation. Colonel North then shows up near the end of the interview.

When is the first time that you speak to [redacted] [redacted] about the interview that he has conducted?

A That meeting on 22 December was a very late-night meeting. I don't know what the date of the week was, but assuming that it is a workday, I would have heard from [redacted] the following morning. If it was a Saturday night --

MR. KERR: It was a Sunday.

THE WITNESS: Then I would have heard the first thing Monday morning.

BY MR. EGGLESTON:

Q The 22nd is a Sunday.

A So we would have had a report from him first orally and then written the following morning.

Q Do you recall whether there was a general meeting about [redacted] interview of Ghorbanifar that was attended by senior members of the Agency?

A Well, he would have come up and told [redacted] [redacted] and myself about it first, and I believe that I have testified previously that I recall rather fuzzily that there was a meeting upstairs on the 7th floor probably in Mr. Casey's office after that first session.

Q When I have asked you -- I heard testimony from you about this once before. I seem to recall that you could not quite remember whether there was a meeting that you were thinking about took place after Mr. Ghorbanifar had failed the polygraph test. Maybe I am not remembering what you said, but do you think that there was a meeting after each of those events that took place in Mr. Casey's office?

A I think your recollection is accurate, that I was -- when I talked to you about this before, I was fuzzy about which one of those, and it was particularly with regard to which one I might have attended.

I do not personally recall having attended the meeting of [redacted] reporting his first meeting. And [redacted] was present then. He wasn't away on a trip -- so that should have been him attending that meeting.

Q I take it from your discussions, though, with [redacted] after he returned from that interview, it is your recollection that he was not -- it was your recollection that he was somewhat critical of Mr. Ghorbanifar and that his views of Mr. Ghorbanifar were consistent with the prior DO's views of Mr. Ghorbanifar?

A That is correct.

Q There is a memorandum prepared with the number 174. My version is not dated. It makes a reference to the days of the meetings but the memorandum itself doesn't seem to have a date on it.

A Well, normal procedure would be for this to be written up immediately after the meeting. So he would have worked on that the following day.

I see no date either on this, but it would have been immediately after, and this was very high priority and it is a memorandum to the DCI.

Q Did you see that at or about the time that it was prepared?

A Yes.

Q As well as reporting on some general terrorist activity, it had a discussion of Mr. Ledeen's pretty complete rundown of the initiative as it had taken place up until that time.

What reaction or what reaction did you have to learning that Mr. Ghorbanifar had been involved apparently with the United States Government in this initiative?

I suppose the more relevant question is, did you speak to anyone, Mr. George, Mr. Casey, anyone, about the wisdom of using Mr. Ghorbanifar in this kind of an operation?

A NE's attitude toward this at the time was that no good would come of it. I don't recall having spoken to anyone outside of NE Division in those terms.

Q Part of this memo, particularly a section involving a conversation with Mr. Ledeen, reports various

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sort of details about the operation, including actually two unusual details: first, that there had been a deliberate overcharge on the price of the items that generated approximately $200,000 for political contacts inside Iran.

Do you recall discussing that with Mr. Ledeen?

A No, I do not. I don't see that in here.

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Q It is the section on Mr. Ledeen. It is not in the section dealing with Mr. Ghorbanifar?

A Yes, I see it.

Q Had used around $200,000 of these funds to support, subsidize political contacts inside Iran, subject being Ghorbanifar . That would have been standard Middle East practice?

There is also -- if I could just take a look at it -- there is also a reference in here to "subject stated that he was holding $40 million which the Iranians wanted returned" -- in fact, it is right after the remark about the $200,000?

A Ghorbanifar said he was holding $40 million?

Q Yes.

A You see, this is our problem. You know, when Ghorbanifar says he is holding $40 million, based on our experience we know that he is holding something. It may be an empty sack or it may be $4[redacted] million, or 14, but it certainly isn't 40, because Ghorbanifar is so well known to exaggerate almost everything he says. So we use a whole bag of salt when we are reading this stuff that he says.

Now that becomes an operational problem, you see, because what you are seeing is we have a problem so big that we can't work with this guy.

Q After this meeting between Ghorbanifar and [redacted] there is a decision made to conduct a polygraph of Mr. Ghorbanifar? Do you know who made that decision?

A My impression at the time was that that was the price that was paid either by Mr. Casey or by the NSC in return for our agreement to talk to Ghorbanifar. That we insisted that if we were going to talk matters over, terrorism or whatever else, that we would do that if Ghorbanifar agreed to a polygraph.

Q You at least at NE though, I would assume, did not feel that you needed a polygraph to determine that he was not someone that you wanted to be dealing with in any event?

A Well, to the contrary -- whatever your experience with a fabricator before, when you have this kind of interest in him and NSC feeling that here is a good guy, if you can provide some current truth or lack of truth judgments, technically provided, you give yourself a lot of ammunition with which you may be able to turn something off.

So a polygraph was essential for our purpose.

Q By essential, I guess what you mean is that you assumed that he would fail the polygraph---

A Yes.

Q And perhaps therefore you could shut the NSC off from dealing with this guy?

A Probably. It was a little hard for us to judge that because we can't tell how far this has gone politically and we aren't being told all of that political data. But it is possible it seems to us that we might be able to make reason known.

Q I just want to test how far your bias went. I take it that Mr. Ghorbanifar, although he was a fabricator, was someone that you thought had some access within Iran? Some -- let me phrase it this way. If he would just tell you the truth he was someone who might have valuable information to give. Is that a fair characterization of Mr. Ghorbanifar?

A Mr. Ghorbanifar -- I am now stating it on what I know now -- Mr. Ghorbanifar had a very good business relationship with [redacted] who worked in [redacted] He is an intellectual superior of [redacted] He had some intelligence from that connection as would anybody who was selling arms on that scale. The operation we are talking about, the TOWs, was only one operation that Ghorbanifar intended doing. They were running around Europe doing several others which they tried to keep compartmented from us [redacted] The problem -- now we are back to the bias against -- the problem is when Ghorbanifar tells us about his intelligence derived from [redacted] or whomever else, we can never -- and this is through the history of the operation, from January to September of 1986-- we can never get enough meat on what he is saying to put out one single intelligence report. We can't separate out the wheat from the chaf.

Q The impression I am getting from you though is that NE would have been sorely disappointed if he had passed the polygraph?

A Yes, I think that is accurate.

Q Was the polygraph conducted in such a way to ensure that he would fail?

Q No. We don't do polygraphs that way.

Q It is my understanding Mr. Cave was brought to work on the polygraph, when I say work on it, I mean help design the questions. Was that your recommendation?

A No, but George had had previous experience with Ghorbanifar, and so did know something about him. I think if you look at those questions you will see that they are the fair questions for the subject matter at hand.

Q On December 23rd, Mr. Casey wrote to the President about various lines that were being taken to help getting the release of the hostages and one of those he mentioned was Mr. Ghorbanifar, there were letters reflecting CIIN No. 447. Were you aware at that time that the director was writing the President about Mr. Ghorbanifar?

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A I was shown that letter by the Tower Commission.

Q And you had not seen that prior to that?

A I had not.

Q I will show it to you. We have a lot of black marks.

A I saw a better copy than you have.

Q I think we now actually have a clean copy.

Between -- now I am moving into the early part of 1986, between,say, January 21, 1986 and January 11, 1986 when the polygraph was actually given. We now know that there was work being done and a number of different drafts being done of a second typing er a finding or whatever. Did you know that those drafts, that kind of work was being done in your legal counsel's office?

A Yes, I knew that a draft was being written, and that is all I knew.

I recall hearing that Mr. Sporkin was personally involved.

Q I take it by that you knew there was a draft related to Iran and this initiative? You knew a finding was involved?

A It had -- I assumed that it had to do with CIA support for ~~a~~ NSC operation.

Q Were you concerned that regardless of how the polygraph turned out that this initiative was going to go ahead

6 as a result of that?

A Well, it is fuzzy in my mind at what point it is clear in my mind that finding is a part of this thing. I just don't remember that, how that worked or that I had a concern that Ghorbanifar, passing meant that we would be directly involved. I don't recall actively thinking about that.

Q I just wondered by this time as a result of the [redacted] meeting you knew that Ghorbanifar had kind of been the principal engine in the fall of 1985?

A Yes.

Q And you were probably -- at least you weren't aware that there was any other -- I take it any other initiatives going forward that would be involving the hostages and be an agency support of an NSC mission?

A No, once [redacted] writes his memo it is all laid out there.

Q The polygraph takes place January 11. When did you first -- when were your suspicions first confirmed that he had failed? Was it that day or was it the following day?

A Well, it would have been soon after -- my recollection is that that was done in the afternoon and we probably had the results the following day, at least orally. Typically it takes several days for the polygraph operator to write up his report, and I recall that [redacted] was present and so we would have gotten his version immediately after he returned from the office. Whether that was that night or the next morning, I don't remember.

Q So, by this time you know that he has failed virtually all the questions?

A That is correct.

Q Is it around this time then that you had the meeting in Mr. Casey's office that you seem to recall you were present at?

A Yes, that is the one that I recall.

Q Could you just describe who was present and what was decided, or discussed at that meeting?

A My recollection is that the DDO was present, and I was present. [redacted] may have been present, I don't remember. And I think [redacted] was not, as I recall. And the principal decision that came out of that was that Mr. Casey still was interested in Ghorbanifar's information on terrorism despite the results of the polygraph, and felt that there might be something there that was in terms of information and terrorist names and international involvement, that there might still be something there that was worth following up. And as a result of that meeting, Charlie Allen was tasked with handling that contact with Ghorbanifar. As I recall -- and this is a little fuzzy -- Clair George said that he did not want DDO officers involved with that.

I am not sure how that was arrived at. I recall it as being fairly bluntly stated but I am a little fuzzy on that.

Q Did you make your views of Mr. Ghorbanifar known at that time?

A I do not recall speaking to it. I think Clair George did the talking.

Q Despite, and I would assume that it has also been your position articulated to Casey, that even if there was something in what Mr. Ghorbanifar was saying, you are never going to know whether it was the truth? Did the operations director try to keep Mr. Casey from even assigning Mr. Allen to talk to Ghorbanifar?

A I doubt that we did that. Our views by this point are pretty thoroughly laid out, and there are some things that you can turn Mr. Casey off on and some that you can't, and it was pretty clear to us that he was not going to stop entirely on that one.

Q It was apparent that he wanted to pursue this initiative?

A Yes. Part of the -- see, Ghorbanifar also throws out -- there is another bone -- there is something else I have got for you guys that is really important, it is in my apartment back in Paris. There is something more just around the corner. That is a part of his modus operandi.

On this occasion, that was a series of intelligence reports and photographs that he had of terrorists. And that was -- you know, it is just out there, just beyond our reach and he would provide it to us at the next meeting, so there is always one more temptation for a next meeting.

So Allen was sent out to get that. He had a meeting with Ghorbanifar in Europe, as I recall, shortly after this.

Q In fact, it might have been the very next day.

Was there a discussion in this meeting on or about the 12th, whenever it was, in Mr. Casey's office with Mr. George and yourself? Was there discussion about using Ghorbanifar, continuing to use him in this arms-for-hostages initiative?

A I don't remember that. I think it was entirely centered around the terrorist question.

Q So your impression on the optimistic stance that Mr. Casey was taking about Ghorbanifar was not as a result of we just have to take a shot at the terrorists, on the hostages?

A Well, Casey certainly knew that because he knows that a Finding was about to be signed. All I know is that there is a Finding in the works.

Q Right.

A There may have been discussion on the hostage and the NSC, something at that meeting too, but I don't recall it.

I recall it all being centered around Ghorbanifar's terrorist information and what would happen next time.

Q On the 13th of January, Mr. Allen spent five hours with Mr. Ghorbanifar and he writes it up in a document that is number 526. I take it that that is something that you saw -- I can't remember the date on the front of it.

A The date is 29 January. Yes.

Q Let me show you No. 173, which came out of NE at least.

A That is correct.

Q Is that a response to the previous document I just showed you --

A That is not a response; it is a refutation of 0526.

Q It appeared to me that those two were related. But I wanted to make sure that I was talking about the same document. That is your response, a refutation of the information that is provided?

A That is right.

Q Between the 12th and the 18th of January, did you have any additional meetings or involvement in decisions relating to either the Finding or Mr. Ghorbanifar, any aspects of this initiative, do you recall, not including the 18th?

A Not involving Mr. Ghorbanifar. There is in one of my testimonies, or not in my testimony, but somebody else's, the possibility of a meeting between me and [redacted], who was the chief of the [redacted] of the Agency, which was at that point called [redacted], now called [redacted] and his recollection was that we had a meeting the week before the Finding was signed, which was a heads-up that some support for logistics purchase of weapons from the Pentagon, using his channel, might be necessary.

I didn't recall such a meeting, but [redacted] did, and it is on my calendar that I met with [redacted] that previous week, sometime the week of January 11th. So I am sure that meeting did take place.

BY MR. KERR:

Q Did your calendar show the exact date?

A Yes.

Q Could you supply that to us?

A Sure. I think it is the Friday, which would be January 17th. But I am not sure of that. I may have been -- it may have even been the previous Friday, the 11th.

BY MR. EGGLESTON:

Q I just happen to have Colonel North's calendar. The 17th was the day that the Finding was actually signed. So if it was the week -- I am only suggesting if it was the week prior to January 17th --

A Well, the 18th is a Saturday. The 17th was the Friday -- I think this was a Friday afternoon meeting and I think it was either the 17th or the 10th. It was a late afternoon meeting and it is on my calendar and, yes, we can provide that specific time.

Q Colonel North's calendar reflects that you had a meeting with the Colonel on the afternoon of January 16th. Do you recall such a meeting? Do you know whether the meeting actually took place?

It is an entry on his calendar.

A I think I will have to check my calendar. I don't remember it. I do not recall any preliminary discussion of the Finding or of the activity.

It is possible that I was talking to North about a terrorist matter unrelated to this.

Q The calendar does not indicate the subject of the meeting.

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A My calendar.

Q Colonel North's calendar does not indicate the subject of the meeting.

A But this would have been allegedly in his office if I showed up?

Q It only indicates that a meeting was apparently scheduled. It does not indicate where it took place.

A Well, I'll get you whatever my calendar says on it.

Do you not have a copy of my calendar?

Q I don't think we do.

A You are welcome to it.

Q And probably the last question before lunch, when do you then first learn that the Finding had been signed on the 17th of January?

A I think that is on January 17th, when Clair George, and I don't remember whether this was a phone call or whether he had me come up and told me that he and I would be going down to the White House for a meeting with Poindexter the next day, and that the Finding had been signed.

Q Okay. Thank you.

I am prepared for a break here.

(Whereupon, at 12:45 p.m., the taking of the deposition recessed, to reconvene at 1:50 p.m., this same day.)

AFTERNOON SESSION
1:55 p.m
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STEIN
pad 3

MR. EGGLESTON: I note that Mr. Kerr is not here. The transcript will be available to him. I am willing to brief him on anything that happens. We are starting a few minutes late.

EXAMINATION

BY MR. EGGLESTON:

Q [redacted] immediately before lunch I had asked you, and you had responded to the question when you had first learned about the finding signed on January 17, 1986. You indicated, I believe, that you had received a message either in person or over the telephone from Mr. George indicating to you that you would go down the next day to meet with Mr. Poindexter and I think you said it was your information at that time it had something to do with a finding.

A That is correct.

Q Did you know that it was a finding with regard to Iran?

A Well, I must have, because, as I indicated, there was apparently a meeting, a heads-up meeting that I didn't recall on the possibility of setting up a logistics chain. And since we had heard that a finding was in the works, the logic must have been pretty obvious.

Q Let me direct your attention to the meeting which you had on January 18th. Can you tell us who went from the

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agency, where it was held and who the other participants were in the meeting?

A From the agency, the general counsel, Mr. Sporkin, whom we knew had authored the finding; Mr. Clair George, the DDO, and myself. On the NSC side, Admiral Poindexter chaired the meeting and Colonel North was there. I don't remember anybody from the White House legal side being there, but it is possible there was.

I don't think so, though.

Q Was Paul Thompson there?

A Well, I met Paul Thompson and I had -- at a meeting and if somebody were there, it would have been him. If there was White House counsel present, and I just don't remember.

Q Did it take place in Mr. Poindexter's office?

A No, it took place in the situation room, which is the secure room in the basement of the White House.

Q Could you tell us the subject of that meeting?

A Mr. Poindexter opened with a description of what it was we were going to attempt without going into any background of what had already been done. We were then given the signed finding and were permitted to read the signed finding.

And both Mr. George and I individually read that signed finding at the 18 January meeting.

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Q Was this the original, the blue ink version?

A I think it was. In fact, I think that was the only copy of it for some months.

Q You did not, meaning the agency, did not at that meeting at least obtain a copy?

A We were specifically told that we would not have a copy, that this copy would be in the office in the safe of Admiral Poindexter. Colonel North did not then have a copy either.

I know that because about a month later I said that I would like to re-read the finding. I had read it fairly quickly on that occasion and so I wanted to go back and make sure that I knew exactly what it permitted us to do in order to avoid any pitfalls getting outside the finding and in order to do that I had to have a meeting with Paul Thompson and we got that finding out of Poindexter's office.

Q How long did this meeting on the 18th with Admiral Poindexter and others last?

A Well, it wasn't very long. I would say it was not in excess of 30 minutes.

Q Did Admiral Poindexter describe the events of the fall of 1985?

A No, he did not. He did not go into anything that was prior to the signing of the finding.

Q Was there any discussion by anybody about the events of the fall of 1985?

A There was not.

Q Was General Secord at the meeting?

A No.

Q I take it that one of the purposes of the meeting -- let me ask you one other question -- was there any discussion at this meeting of the status of the November draft finding?

A No. I had not heard of the -- any previous specific drafts. I am not sure it was November -- I thought there was something that was signed -- I believe it is clear in the Tower Commission Report. I think there was something that was signed but it was mid-December, as I recall.

Mr. Kerr. The history is that there is a November 26th draft finding. There, then, is a series of drafts starting January 2nd. There is a draft apparently signed by the President on January 6th or thereabouts and there is a finding like that you saw.

THE WITNESS: What I am saying is we didn't have any which was of a series of drafts. [redacted] all we knew was there was a finding in the works.

MR. KERR: When did you know that there was a finding in the works?

THE WITNESS: Well, we had discussed that -- as I said this morning, we knew very soon after McMahon lost his temper at the end of November that the finding was in the works

And that is --

MR. KERR: As to the progress on that finding you were not kept apprised; is that correct?

THE WITNESS: That is correct.

BY MR. EGGLESTON:

Q I take it that one of the purposes of the meeting on the 18th was in order to set the planning in motion in order to effectuate the purposes of the finding, to get people together?

A The principal purpose was to start CIA support for the NSC operation. So the main focus was here we have this finding and this is what we are going to have to do. We are going to have to buy some weapons from the Pentagon, and we can do that through the CIA. We want [redacted] to handle that. In fact, I think Mr. George said [redacted] will handle all the finance and all of the logistics. And Poindexter said I want only [redacted] to handle that part of this, setting up the channels and the mechanisms will be my responsibility.

Q Was it also going to be one of your responsibilities to set up the method by which the CIA would obtain payment for the missiles and thereafter make payment to the Department of Defense?

A That is correct.

Q Was there any discussion at this meeting about how

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that was to take place?

A No. It was my duty to find out how to do that and then to report that, how we would proceed back to the NSC and upwards to Clair George.

Q Was there any discussion at this meeting about the kinds of weapons that you would be obtaining from the Department of Defense?

A Yes. It was to be TOW missiles, and I think -- I think the total number was laid out at that meeting and was 4,508 TOW missiles. It may have initially been stated at that meeting as 4,500, because there was a discrepancy in numbers during the first week. It pounced around, first was 4500, then it was 4504 and it eventually ended up at 4508. It didn't become clear until later why that odd number was.

Q Was there discussion at the meeting about the reason it was not 4500, why it was 4508?

A I can't be sure that the eight or four was mentioned at this meeting. It was clear to me at the second meeting in Frankfurt, which was 25, 24 February, that the 508 was a payback to Israel for a previous delivery. I think that eight -- eight is kind of a strange number, and I think we might have asked a question about it -- I think that did not come up at this meeting.

Q Was there any discussion at this meeting about the Hawks that remained at that time in Iran? A procedure for the return of the Hawks or to pick the Hawks back up, was there any discussion at this meeting about that?

A No, that came later, too.

Q Do you recall anything else that was discussed during the course of this meeting?

A No. It was primarily focused on the finance and logistic task that CIA was to undertake, and I don't believe anything else was covered.

Q When did you first learn that General Secord was involved in the logistics of this operation?

A I am sorry. I was just trying to think whether Ghorbanifar was discussed at that meeting.

Q That was going to be my next question. I was going to ask you just about when you first learned specificall that various other participants were going to be directly involved. I had started with Secord and was then going to ask about Ghorbanifar.

A Secord's name was mentioned within a week when we started talking about the logistics chain, because the chain was going to be we would arrange delivery of the missiles from the Army despot in Alabama to our [redacted] and then Secord would arrange to have them picked up by Southern Air Transport, SAT Airlines, at our [redacted]. And we started planning that within the week of -- after that week of 20 January.

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Q Before I get into the actual --

A He did not come up at all at this meeting because I recall being surprised on the phone by mention of his name.

Q Before I get into asking you about how you made those arrangements or to satisfy the logistical requirements, did Mr. Ghorbanifar's name come up during the course of this meeting?

A I would think so, but I don't recall it, and at that point it must have been pretty much a fait accomplis. It was clear we were going ahead whatever our strong objections and the DDO had been. So there may have not been that much to talk about.

Q So it wasn't that the agency complained directly to Admiral Poindexter about the involvement of Mr. Ghorbanifar?

A Not at that meeting certainly. I would have recalled that. What the agency had said previously to the NSC at these high-level meetings that you mentioned in December, I think the agency's position, John McMahon had pretty strong views, too, although he wasn't in the DDO -- he strongly adopted our position on the non-worth of Mr. Ghorbanifar. So I think our views were pretty well known on that.

Q As of the time of this meeting on the 18th, had you had any professional contact with Colonel North?

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A Yes. I dealt on terrorism and hostage matters, so had had a few contacts at meetings with Colonel North.

[redacted]

Q But by this time your operational-type contact with him had been fairly limited?

A Yes. I think that meeting [redacted] [redacted] probably the first week in November was the first time I had been in his office.

Q After this meeting is over, did you have a conversation with Mr. George or anyone about CIA's involvement in this operation?

A I recall talking in the car going back with him on setting up the finance and logistics channels, and I simply told him how I would proceed in doing that, and that I would call the chief of finance to tell him what the problem was and that I would get back to him, but I didn't think it would be a problem. It seemed to be pretty thoroughly covered by the finding. There was possibly some discussion about -- in fact, I recall a remark that the finding was broad enough you could drive a truck through it so there was a little discussion about it.

Q Do you recall that in reading the finding that the introductory language provided that the Director of the

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CIA not notify the Congress about the fact of the finding?

A Yes.

Q During the course of that meeting was there any discussion about that provision of the finding?

A I think Admiral Poindexter did say that the -- that this was a very sensitive undertaking and that the absolute minimum number of people would be in the loop, in the circle of those who would be made aware of the compartment and that the President felt strongly that the Congress would not be notified until a later date. I took that later date to mean after the hostages were released, because at this point it was our -- there were a couple of scenarios already floating around -- well, I think that may have been discussed for the first time at that meeting -- that that -- that after delivery of the first shipment of TOWs the hostages would be released, meaning all of the American hostages in Lebanon. So we were looking at this, looked at it initially as probably going to be a fairly short-term thing.

Q Who did you understand was going to have the responsibility for deciding when Congress should be notified? Was that a responsibility that would be on the agency, on the NSC, on the President?

A That would be a presidential decision, I am sure.

Q Since he is busy, someone has to advise him now the time has come, Mr. President, to advise Congress.

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A Yes.

Q Just generally the way these things work, is that a responsibility that would fall on the agency or on the NSC or did you have any understanding of whose responsibility that would be?

A In my understanding of the de facto way that that system works, I think either Mr. Casey or Mr. Poindexter, Admiral Poindexter, could initiate that discussion about now is the time, but it would be a White House decision.

Q Did you discuss with Mr. George or with Mr. Casey the wisdom of delaying notification of Congress -- wisdom is a bad word -- the decision to delay notification of Congress?

A The answer is no, I did not.

Q Could you describe for us after this meeting what steps then you took in, say, the next week in order to get the logistics chain in motion?

A Yes. This was on a Saturday so the following Monday, 20 January, I made two telephone calls, one to the Director of Finance to tell him that we had a finding and that I would need a Swiss bank account, and that a fairly siz~~e~~able amount of money, something around $30 million on the first deposit, would come into that account. And he gave me the name of somebody in his office to ~~wokr~~ work with who would be the only person in the Office of Finance who would

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be in the compartment.

The second telephone call was to [redacted], the Chief [redacted], the [redacted] section, division, to tell him that I would need the services of [redacted] to work with the Pentagon on transfers of arms to the agency. [redacted] had done this -- he was a former Army logistics officer before and so knew how that whole mechanism worked [redacted]

The third thing that had to be done was make the connection with the Pentagon, and I had a conversation with North -- it must have been that Monday or Tuesday, 20 or 21 January -- in which he told me that he would call the -- either call himself or have somebody else call, which I understood being Admiral Poindexter, call the military aid to Cap[redacted] Weinberger, whose name was General Colin Powell, and Colin Powell would be told to arrange this in the Pentagon, let whomever the proper channel was know that I was going to be making the call and that they were to provide whatever I asked for, and the agency would pay DOD for the missiles.

Then I would have waited a day or possibly two -- I don't recall a telephone call back from North saying go ahead now. I did call Colin Powell, he was expecting my call, knew who I was and told me that the person I should work out the details with was General Russo, and Powell warned me that he knew what the purpose of this was, knew where the weapons would be going, knew that it was in support of a sensitive, covert finding, but that General Russo did not. General Russo would only know that he was supporting a CIA covert arms acquisition.

Q Let me just ask you a couple of questions about finance. You indicated that when you called the Finance Office that you thought that you needed an account that was going to have an initial deposit of around $30 million. How is it that you had arrived at that figure?

A Well, I don't recall -- there were then a series of calls, I think probably two a day over the next four or five days, and I can't tell you exactly at what point we arrived at all these details. But the $30 million would have come later after it was -- after we had a first price from Army logistics that a TOW missile was probably going to run in the general neighborhood of $6,000 each. And that was simply a matter of multiplying 6,000 times 4500 missiles, and that comes out, I think, to something around $27 million. We added sufficient cushion for the logistics, airplane rentals, the Army told us that they were going to have to charge some guard duty and other miscellaneous expenses so that they weren't out of pocket, and the principal concern of mine was that the agency did not end up with $31 million of

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expenses when we only had $30 million through the channel to pay for it.

The reason that would have been a problem was that we might not then have anyplace else to take it except out of our own budget, which would then have required us to disclose the activity to both the OMB and to the Congress and I couldn't tell when that might be. So my principal concern in this was to make sure that I had enough money for the NSC channel to cover my agency costs.

Q Did you believe that you would have had a -- if you would have had to use agency funds, you would have had to report to OMB and to Congress even though there had been a finding?

A Yes.

Q There is a separate provision that would have required that kind of notification?

A That was my understanding at the time.

Q Did you -- you told us that Mr. Powell had told you to get in touch with Russo. Did you get in touch with Russo?

A Yes. Probably immediately, so we are talking somewhere around 22, 23 January. And I explained to him the number of TOW missiles that we would require, told him that there might be other things later, but I couldn't tell that, and that the -- at some point fairly early on --

it might have not been the first conversation, I told him that the first traunch, the first batch would be a thousand missiles, that we would need a thousand pretty quickly. Colonel North is a man who is always in a hurry, so he sort of was saying we are going to need this yesterday. It was a question of Russo, how fast can you set this up, how fast can you pin down a price, how fast can we get this whole thing nailed down.

Q Did you have any understanding about how soon the missiles would actually be shipped as of this period of time, January 22, 23? Was there a tentative date in your head?

A No. But by the following week, Colonel North brought over a scenario which was a pretty detailed thing. It had 20 to 30 steps to it, the last step of which was -- and you have a copy of this -- was ludicrous to us, that on April 11th or some other specific date around there that ~~Khamenei~~ Khomeini would step down from power. That was just Ghorbanifar nonsense.

Q Let me show you CIIN number 131, which is a cable and ask if you would tell us whether you had seen that cable at or about the time it was sent.

A That is a good cable.

Q I take it from that this is the first time you have seen it?

A No, I have seen this once before.

Q Just so the record is clear, this is a cable dated

25 January where the agency is registering its objection to providing intelligence information to Iran on the Iran/Iraq war. Is that a fair summary?

MR. KERR: It is not the agency, it is Mr. McMahon to Mr. Casey, isn't it?

THE WITNESS: Mr. McMahon's cable to Mr. Casey.

MR. KERR: There was another element in the agency that disagreed with that cable coming back the other way, Mr. Casey.

THE WITNESS: Well, there is a sentence here that I am not sure whether he is objecting just to the intelligence or perhaps more accurately to the whole operation. The first sentence of the third paragraph, the ~~Senator~~ sentence says everyone here at headquarters advising against this operation not only because we feel the principle involved is a liar -- that is referring to Ghorbanifar -- and has a record of deceit, but secondly, we would be aiding and abetting the wrong people, meaning, I guess, the Iranians.

MR. KERR: That cable is addressed to Mr. Casey?

THE WITNESS: Yes. The heading on it says please pass to DCI from DDCI, eyes only.

BY MR. EGGLESTON:

Q This was during a period of time when, as I recall Director Casey was on a trip [redacted] or that part of the world?

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A That is correct.

Q He was out of the country?

A Yes.

Q Did you have any role in preparing this cable?

A No, I did not.

Q Did you know that this cable was being sent?

A I think I did. I had forgotten it, but I am pretty sure I knew about that.

Q Mr. Kerr has referred to a cable, which I don't have with me, which is a response to this cable. Have you seen that cable?

A I may have, but I don't remember it. If you have got it, I would like to see it.

Q You were, though, aware that part of the plan was to provide intelligence information and you were generally opposed to that plan?

A Yes. We were ~~still~~ still fussing about that when Casey came back to town.

Q Do you recall when Casey came back?

A No, but it was before I went off -- before I went off to the first meeting in Germany on 18 February.

Q There are various reports that you went to a meeting in Germany the 5th of February. I take it that is not true, you did not go?

A That is not true.

Q There was a major -- there was a meeting with regard to the logistical operation which appears to have taken place around 29 January. Do you recall that meeting?

A Well, there should have been more than one, so I guess I am not sure where you are headed.

Q I just recall a meeting in other things that I have seen that involved Mr. Secord as well as yourself, Colonel North and --

A I know what you are talking about then.

Q Is that the first time that you had had a meeting with General Secord?

A That is correct, the first time I met him. That was held in the Executive Office Building in the evening, six or 7:00 p.m.

Q You knew, though, prior to this time that Mr. Secord was to have some role in the logistical aspects of this operation; is that correct?

A If I didn't know before then, I certainly did at that meeting and I think I had a little bit of data before. But it was pretty well laid out at that meeting.

Q Could you tell us who else attended that meeting?

A Charlie Allen was there. It was chaired by Colonel North. And that, frankly, was the first time I realized that Charlie Allen had a role in this. I was a little puzzled by it because I thought I was the only channel. I didn't quite figure out where he fit in. And then Noel Koch was there from DOD. So that is a total of five people.

Q Was -- did you say it was held in Colonel North's office?

A No, it wasn't, it was held down the hall in a conference room.

Q As best you recall, what was discussed at that meeting?

A We discussed alot of detail at that meeting about the logistics, and exactly what we needed to do. I am not an air operations man. I don't have a lot of background in that. But Secord certainly is, and he laid out a series of requirements on things called hot spot parking, which means a place where you load ammunitions, that he would need [redacted] and I told him we would be responsible for the loading and we would be responsible for things like the pallets on which you load the missiles. There was a certain question about how many -- what the cube was and what the weight was and how many you could put into a 707 and whether it would take two or three airplanes, and so I had to get sort of a whole page of detail of loading and numbers of planes and weights, that I had to go back to Russo and to find out how these things were packaged.

We also had to discuss the question of sterility, whether these things would still have the U.S. markings, and there was some discussion about the path that we would be taking. And it was described to me, I think, for the first time at that meeting that Secord would take them, and there was a customs question, too, with Secord, from [redacted] [redacted] either on a northerly route [redacted] [redacted], eventually ending up in Israel or he would take a southerly route which would take him through [redacted] [redacted] the Mediterranean to Israel. It wasn't clear at that point.

He had work to put that together. He did not request any assistance from us on the overflight rights or landing or refueling or anything like that.

It was also clear at that point that the -- once they arrived in Israel that those missiles would be off-loaded at an Israeli base and then would be onloaded to an Israeli airplane and flown back by Secord's crew, not an Israeli crew [redacted] into Bandar Abas, a southern port in Iran.

Q What did you understand that General Secord's position with relation to the NSC to be? Did you think he was a consultant?

How did you think he had gotten involved?

A Well, I found out within the month. I don't think I knew then except I knew he wasn't an NSC member. I didn't understand him to be an employee or on contract to the NSC, but anyone other than he was clearly handling this logistics for North. I didn't really know more than that.

Now, on one of those February flights coming back from Europe, I asked North that question, and North said -- I am getting a little ahead of the story, but both Secord and Hakim turned up at the second meeting and Hakim came to that meeting it was a fait accompli just out of the cold. There had been no discussion of a translator, no discussion of the need for a translator, and when we arrived there Ollie North says Hakim here is going to do the translating because we don't trust Ghorbanifar -- see, he is catching on, too -- and so on the flight back from that meeting, which is the end of February, I said to North, you know, I don't think it is very smart to have these outsiders, they are retired or not U.S. Government, and we have this sensitive U.S. Government activity, and we are trying to hold this very tightly -- I don't think they ought to be involved.

If we need translators for meetings, I can provide a translator and give you somebody who knows something about Iran. His answer to that was, well, Secord and Hakim know each other, they knew each other a long time ago in Iran and they both served or have lived in Iran, Hakim, of course, was an Iranian citizen at one point before the fall of the Shah -- and he said I trust them and I rely on their expertise, and besides, North -- Secord is handling things for me in Central America. He is in charge. And Hakim is in charge of that activity -- I am not sure whether he said that activity or that effort -- in Europe. And I said, well, if that is the case, all the more reason why you don't want to do that, because if you are trying to do a compartment, I don't think we ought to mess this Iranian thing up with whatever else you are doing.

In dealing with North -- and I was dealing with him mostly on the telephone -- through that month of February, which is the busiest time for me -- it was -- I would say he was clearly the most hectically pressed member of the U.S. Government I had ever met. He was working very long days on this. He would disappear for a day or two and I would be told he is down south.

It was clear that he was down in Central America. I think that is perhaps as early as March.

SENATOR HEFLIN: What was North's reply to your statement that you ought not to mix up things?

THE WITNESS: There was no reply to my recollection, Senator. What I did when I got back to the agency was run a name trace on Hakim, and find out how much we really did know about him. He is a U.S. citizen by now, but we don't have very many files on U.S. citizens, but we did on Hakim because [redacted]

SENATOR HEFLIN: When you said to him you don't think you ought to mix up the Iranian situation with the Central American contra situation, he made no reply whatsoever?

THE WITNESS: Well, not that I recall. If he made a reply it was sort of to slough it off. He did not in my view take it very seriously.

SENATOR HEFLIN: Did you press him?

THE WITNESS: I am not one who presses frontally very often. What I did was gather up my facts when I got back to the agency, and we took that up to Clair George, and he recommended to Mr. Casey that we get Hakim out of this and that we substitute George Cave, one of our retirees, but a real expert on Iran, who speaks excellent Farsi, and we did that successfully. We removed Hakim and Secord from direct participation in these meetings.

SENATOR HEFLIN: Why did you ask him the question of saying they ought not mix up the two?

THE WITNESS: That is a cardinal rule in my business I have been an operations officer in the CIA since [redacted] And we never mix the mechanism for two separate operations if we can possibly get away from it.

SENATOR HEFLIN: Did you tell North that or did you just make the question you didn't think that they should mix the two?

THE WITNESS: As I said, Senator, I did tell him that I thought we should not mix the two. Was that your question?

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SENATOR HEFLIN: I was trying to really -- you are not dealing with the CIA, you are dealing with North. Did you tell him that it has been the policy of CIA not to mix the two?

THE WITNESS: Any two -- no, I don't think I would have said that. It is his operation and I am charged with supporting him. We have already been over on whether we are going to be involved in it. So I have got to be a little careful about how I rearrange his support mechanism. And so I went back and got my facts.

There was a little odor to both Secord and Hakim, and I think you have a lot of that data. There was a legal question at one point of whether Secord had been involved with the Wilson and Terpil connection with Libya, and I had heard a little something about that, and it wasn't clear in my mind whether he was out of that woods or whether he had been indicted at one point for it or cleared and I just didn't know.

The same was true of Hakim. That was a name that for me smelled a little funny, because we had had -- I don't think I knew at that point how closely associated he was with Secord, but I did know that there was a -- there are a couple of questions in his background.

As soon as I did that name trace when I got back, I knew that there were some allegations that Hakim had been involved in some illegal arms sales or illegal technology sales, something in U.S. to Iran. [redacted] that it would cause us a lot of pause before we used him.

Now, North, on the other hand, assures me at every moment that Secord and Hakim are great Americans, a phrase he used a lot, and that these two gentlemen were doing their patriotic best to assist the U.S. in a very sensitive operation, and whatever Hakim's concerns had been, whatever Hakim's problems were before, North was going to help him clear those.

There was a problem because Hakim couldn't get into the Executive Office Building. When North tried to clear him into the building there was derogatory block so he couldn't come in the building, and that related to not agency, but FBI information on Hakim, which I didn't have access to.

I had a good reason to try and get him out of that operation.

MR. KERR: Just a couple questions. You are saying that North told you that Secord was handling things in Central America on the flight. What kinds of things was Secord handling for North in America at that time, if you know?

CAS-26 THE WITNESS: Well, I think that conversation moved over pretty quickly to the point that was on my mind that I wanted him moved away.

MR. KERR: What did you understand him to be conveying to you?

THE WITNESS: I don't think there was any question in my mind that he was talking about his involvement in supporting para-military operations in Central America. I don't think I asked him any questions about it because I am pretty sure I knew without him telling me.

MR. KERR: On Hakim, you said that he told you Hakim was handling the European aspect of what North was doing. What did you take that to mean?

THE WITNESS: That was linked to the first phrase of the sentence.

MR. KERR: There isn't a war Ollie North was fighting in Europe so you thought he was doing something to help out the Central American convention in Europe?

THE WITNESS: I thought he was talking about support mechanisms.

MR. KERR: You had heard about Secord's bank account in Switzerland at the January 29th meeting?

MR. EGGLESTON: I have not asked him any questions about the bank account.

MR. KERR: You knew that the money --

CAS-27 THE WITNESS: You are right. I think it was before 29 January, in fact. If it wasn't, it was 29 January -- I think I got that from North on the phone before that so, yes, I knew Secord was involved in the money trail.

MR. KERR: I believe that is when the item was discussed at the meeting 29 January which was the flow of money that would ultimately result in the delivery of weapons and one of the things mentioned at the January 29 meeting was that the money would come in from Iran through a couple of gates, ultimately end up in Secord's bank account in Switzerland is that right?

THE WITNESS: I don't remember whether it was at the January 29 meeting or on the telephone, but I do, and I have telephoned any number of times on this, there was a very clear statement by North to me that was memorable in which he said the money would come from the Iranians to the Israelis, meaning Mr. Nir or some account controlled by him, and then to Ghorbanifar and from Ghorbanifar into Secord's controlled account in Switzerland and then Secord would effect the transfer into our account.

MR. KERR : Neil is going to go into more detail. I am pursuing it now because of your discussion of Hakim on the airplane. When you used the reference Hakim was handling the European side of things, it was your understanding on the airplane that Hakim was handling the financial mechanisms for [redacted] Secord's Central American operation, isn't that right?

THE WITNESS: I don't think I would limit that to financial. It would have been arrangements with arms merchants or with medical suppliers or with food or with boots or whatever needed to be done in Europe, it was my impression Hakim was in charge of that.

MR. KERR: And one of those things would be financing mechanisms?

THE WITNESS: Possibly, not necessarily, but possibly.

MR. KERR: At the time that you were told Secord handles things for North ~~and~~ in Central America, Hakim handles things for North~~ern~~ in Europe, you drew the connection, did you not, that the account that was going to be used by Secord would be handled by Hakim and would be the same account that had been used for the Central American venture with General Secord, isn't that right?

THE WITNESS: No, I did not make that connection. I still wouldn't. It doesn't have to be the same at all. Either one of the gentlemen could handle any number of accounts.

BY MR. EGGLESTON:

Q When you indicated that you thought that General Secord was handling a para~~-~~military operation in Central America~~s~~ for Colonel North, where did you obtain that information? Where did you derive that understanding?

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A Well, I think it is derived from even at this early date -- see, I had been working with North roughly a month by that time -- I think it is derived not from any explanation, but rather from the vibes, if you will, of calling his office almost every day with an additional question or an additional logistics detail and there being nobody else there to discuss, it was all the North account, there would be days when I couldn't deal with him. He just was -- and as you know, and I think we have talked about this once before, there are two sides to North.

One is sort of secret and compartmented, and another one is sort of boyish and boastful, and it would be in character for him to say I won't be here tomorrow, I will be down south, and then for him to say, yes, it was a quick trip and I flew all night and I came back and I haven't slept for 48 hours, always complaining about how busy he was and how terribly over-worked.

It is from that kind of what the Germans call "fingerspitzen gefühl" -- just from the smell of it, that I had a pretty good idea that North was spending a lot of his time on Central American things.

Q Let me get back to the meeting of the 29th. As I recall, there was some discussion at that meeting about the price of the TOWs, that as of that date you had already obtained a price of $6,000 per TOW, and probably gave that price to

CAS-30 Colonel North. Do you recall any discussion about the price of the TOWs at that meeting? That the price was too high?

A There is an awfully lot of discussion about price in the Army I.G. report, which you may wish to look at, because the Army I.G. would have to go into this in great detail.

General Russo's problem, a little like mine, was that he was given two or three days to come up with a price. And he did the best he could in two or three days, but the price he came up with the Army I.G. has now found is not the correct price. The Army I.G. took 90 days to figure that out. The GAO has also done an investigation and they have determined that the Army I.G. price wasn't right either. I am saying that because that has a lot to do with the confusion on the prices.

The initial price was precisely -- it was Russo telling me it was going to be something around 6,000 per. And I recall telling North that and he recalled -- it doesn't make any difference to me whether they charge three or six or nine -- I recall North saying, well, that is too high, they must be giving you a brand new missile replacement cost figure, and they should be charging for the oldest model of TOW in stock.

We don't care whether these things in fact work real

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well. Tell the Army that we want the oldest thing they can find in the warehouse. So I went back to Russo and said, let me make clear we don't need the very best, latest thing right off the factory line.

It probably shouldn't be replacement cost for a new TOW. And so he said, okay, we will do that. Then at that point it moved into -- there is a guy in Russo's shop named Simpson, and he worked directly with [redacted] and these two logistics fellows came back with a price --

Q Of around $3400?

A I am not sure. But it was around $3400.

Q Just under 35.

A Yes.

Q Colonel North's statement, I don't really care if they work very well, strikes me as a little surprising in the context of the initiative. At least at some level it was supposed to have a strategic dimension to it. Was that just a flip remark by him?

A I thought it was. I didn't think he really meant that.

Q Who was the CIA selling these TOWs to?

A The CIA -- well, we were buying them from DOD. What I needed to do was provide to the NSC, to Colonel North, exactly the amount of money that was needed from the NSC to cover our costs to DOD plus whatever other logistics costs

CAS-32 we had.

I think the U.S. Government was arranging to sell them through the mechanism to the Iranians, is that what you were driving at?

Q Yes, that is. Did you ask Colonel North what it was that General Secord was doing in the logistics operation that the CIA could not do?

The CIA has proprietaries and methods of transporting weapons and everything else [redacted] Did you discuss with him what it was that Secord was doing that the CIA hadn't done on the institutional basis most times before?

A I had to probe with Secord being in the finance chain because it provided a cut out between the Israeli Government and the CIA funds, [redacted] and I wasn't particularly anxious for an Israeli Government entity to know what my account was.

So that was perfectly all right with me. The logistics chain again was one of those fait accomplis which wasn't any real discussion -- it was laid out for me that that was the way it would be arranged. And I was happy enough -- again, you have to put this in the context of the moment that we had early, the second half of January, early February, we were in a little pain for having had Ghorbanifar shoved down our throats on this, and I wasn't in a very strong position to argue with North. The best I could do was try and influence him and I felt pretty good about my ability to have -- by the end of February -- to have gotten Secord and Hakim out of the meetings, although it was North's clear intention that he wanted them kept in there.

I did not get them out of the logistics and finance mechanism, which would have been my preference, too, but I didn't even try.

Q You had mentioned last time we spoke that you were not unhappy to have Secord in the finance chain because it put a break between the agency and the Israeli account. I didn't quite understand it then and I don't quite understand it now.

The agency must have all sorts of accounts that it opens for a particular purpose [redacted] and then closes down, and I am certain they are not opened under the name of CIA, so it doesn't really, I would think, reveal too much to the Israeli Government anything about the agency, the fact that you give them an account number and they deposit in an account and as soon as the operation is over I take it the account will be closed anyway.

I understand as to this particular account and the purpose, although before too many months had gone by it was closed out or the Iranian aspect was transferred. What was Secord doing for you that you must not do all the time with various different other governments, unsavory individuals you must have to deal with in financial arrangements -- I am not sure I quite understand that explanation.

A I can understand why you wouldn't ~~be~~ because that is a peculiar part of our business, I think, and it is one of those things that sort of comes naturally or second-hand to me for having thought that way for 25 years.

I end up as having trouble understanding why you don't understand.

The problem with the Israeli part of it in the Middle East is that we work pretty hard at having [redacted] and our biggest problem in doing that successfully is being pictured as too close to the Israelis strategically, the whole U.S. Government or CIA in peculiar operations.

One of my concerns in this operation from the beginning, and shared by those of us who had some doubts about it, was that the blow-back potential for having been a part of selling American weapons that had been refused to Arab governments to Iran, which was deeply involved in a war with Iraq, could cause pretty sizeable problems.

The decision had been made in the White House, but

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we didn't particularly like it. [redacted]

But it was clear that they were not a part of this operation. We were told that they were not to be included in any way or made known that it was even happening.

And that made me very nervous, because there is some possible internal blow-back [redacted] [redacted] as opposed to this one guy who is a little strange, Mr. Nir, working out of the Prime Minister's office, [redacted] Colonel North, is collecting intelligence directly from the Prime Minister's office [redacted]

[redacted] Achille Lauro highjacking [redacted] control North's intelligence activities, and we in our part were saying, well, we will control him about the time

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[redacted]

end 3

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emm-1

BY MR. EGGLESTON:

Q Let me move you to your first trip to Frankfurt, which I think took place around the 19th and 20th of February.

As I recall from other reading, you went on two occasions fairly close together, is that correct?

A That is correct.

Q Your second trip, just so we are in the ball park, is --

A Twenty-four, 25.

Q According to the documents that I have seen as of the 13th or so of February, the Agency notifies Major Simpson, I think, that approximately $3.5 million is now available, and the processes of transporting the TOWs and getting them moving has started.

Let me ask you, as of the date that you first go to Frankfurt, have any TOWs been delivered to Iran?

A No. Well, I am sorry -- yes, back in September.

Q I'm sorry, I asked that imprecisely.

Had any of the February TOWs arrived --

A No.

Q What was the -- and yet the money had been deposited so the process had really begun?

A That was at my insistance. We -- and again, this relates to ensuring that the Agency was not out of pocket -- the Agency insisted that we had to have money in our account before we would order, put in a firm order to DoD.

Q What was the purpose of the 19th, 20th of February trip?

A The purpose was to meet with [redacted] who was coming out from Iran.

Q And I take it he was not out?

A He didn't come.

Q Was it your understanding -- let me ask it this way. What was your understanding of the arrangements with regard to the delivery of the TOWs and the release of the hostages as of the time of that meeting? Did you think that the hostages were about to come out? How many did you think were coming out?

A We had in our hand by that time the scenario that I described to you that is also in your hands, and that was my understanding.

The essence of that was first delivery of 1000 TOWs, all hostages are released, and then a series of additional steps leading to a strategic meeting somewhere, maybe in Europe or maybe on an island off Iran, and then additional weapons being delivered.

Q I take it by additional weapons you mean the remaining, I guess, to Iran, it would be the remaining 3000 TOWs?

A That is right.

Q What was the purpose, then, of meeting with [redacted] Was that a meeting that had to take place before any TOWs were going to be delivered? Why is it that your --

A The money having been deposited was their first step to show that they were serious. The next step was this meeting to lay out an agreement on what the following steps would be.

The scenario that you have seen and I have seen was one that was worked up by North as a result of communications coming to him from Ghorbanifar that what we needed now was to actually sit down with an Iranian and verify that his understanding was the same as ours.

Q How did Mr. Ghorbanifar explain the absence of [redacted]

A He said he would be coming the next day, probably the day after that, but certainly coming at any moment.

Q I take it from your tone of voice, which is not reflected on the transcript, that you didn't necessarily believe this assertion?

A Well, neither did Colonel North. In fact, Colonel North was very angry about it. And we simply turned right around and Colonel North said, after a fairly short discussion -- I am not sure that I remember exactly; it may have been as much as two hours -- we simply turned around and went back to the United States with an instruction that when [redacted] actually physically arrived and was seen to be present in Europe, that we would come and meet him again.

Q Up to this time, to your knowledge, I take it, had Colonel North ever met with [redacted]?

A No, I am quite sure not.

Q It does turn out, then, that within a couple of days you do go back --

A Yes.

Q And meet?

A Four or five days.

Q My notes suggest it was around the 24th of February. This is the meeting that you have described, the conversation you have had with Colonel North on the plane on the way back?

A That is correct.

Q That is this meeting.

Let me tell you who I understood was there and maybe you can tell me whether this list is accurate. Mr. Secord, Hakim, North, yourself, Ghorbanifar and [redacted]

A The only one you have left out is Mr. Nir from

Israel.

Q And that meeting was also in Frankfurt?

A Yes.

Q Who was the subject of that discussion?

A Well, we met in -- fairly late in the evening in [redacted] hotel suite and the subject was in essence a discussion of the various steps that would take place in the scenario.

Q The various steps remaining in the original scenario involving the TOWs?

A It also included discussion of a strategic meeting to take place between very high-ranking Americans and suitably equally high-ranking Iranians.

It also discussed other weapons, because the Iranian from the beginning of the conversation said, No, no, you guys have got it all wrong. Mr. Ghorbanifar has told me that you promised to deliver a lot of Phoenix missiles. The Phoenix is an air-to-air missile. I had never heard that before, that Phoenix missiles had ever been raised. Colonel North said that he had never heard anything about Phoenix missiles.

[redacted]

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[redacted] North [redacted] he was at this meeting saying, Never happened, never heard about it. What that may reflect is simply that Ghorbanifar never said anything to North about Phoenixes. And the whole tenor of the meeting was as I have often described, Ghorbanifar having lied to both sides to get them to the table. He then was at the table to watch us have a fight.

Q The thing is, though, that he was also seated at the table.

A Yes, he was, and he was working like crazy to try and put it together. He had successfully done what he had set out; he got us at the same table, not a minor achievement. But he then had a lot of work, and I will have to say in fairness to him that he was working harder than anybody else there, and that he was attempting to intellectually or by argument persuade [redacted] who he did not clearly hold in high esteem, to get along, make it work, keep this thing going.

That meeting ended early in the morning, 1:00 or 2:00 a.m., and it was a disaster. There was absolutely no agreement whatsoever on anything.

North did say at that meeting, Now, look, we will take the next step. You just tell me the word and I will pick up the telephone and a thousand TOW missiles will be on their way to Iran. And then the shoe will be on your foot and you have arranged within the next few days, I want you to take care of releasing all the hostages. That is a big problem -- those hostages. You have got to understand that, North was saying, that that in terms of the United States is an impediment to us doing the rest of the strategic arrangement. In order to have a breakthrough, in order to develop a relationship with Iran, we must first get rid of that problem. So you take care of that and then we can move on to these next steps.

Q And you would describe that meeting as generally a disaster?

A Yes. We had a second meeting the following morning for breakfast at which [redacted] was saying things like, I will take ten steps for every step you take. And this will all work out.

We have a big problem with the hostages for our own political reasons, but we can handle this. It will be a big price for us, which we took to mean it might ruin the Hizballah-Iranian relationship.

He said, However, if you do something really big, get those Phoenix missiles for us, we might need only a couple thousand, and there might be some other things -- but there was a much more forthcoming, Yes, there is a strategic plan here; yes, we will deliver; yes, we will start on the hostages. You might not get them all immediately, but we will at least start on it. There might have to be a meeting before the release of all of the hostages -- that big strategic meeting -- and there was, I think, some discussion about that meeting might take place at an island off -- there was a specific name of an island --

Q Kais. Is that essentially the note, then, on which the meeting ended?

A Yes, and it was a fairly positive note.

Q Positive in some sense, but I take it within a couple of days there was a decision -- I think there were a couple of meetings -- within a couple of days after that, there was a decision to send the TOWs?

A No. North had the authority to send TOWs right there when he made a phone call to a waiting Secord to -- and the TOWs by this time were in Israel, to cause the TOWs to be delivered over the next two nights into Iran.

Q I take it, then, as of the time, though, that we delivered those thousand TOWs, 500 of each slice, it was clear that that was not going to result in the release of all the hostages?

A That is clear. In my recollection, we were going to get a couple.

Q That is what I was going to ask you.

A Quickly, immediately.

Q I have sort of lost track of how many there were as of this date.

A Five, I think.

Q Was it your understanding that we would get two hostages as a result of the transfer?

A I think that was a little fuzzy. Maybe all five, but maybe only a couple, and the rest to be -- I can recall something about the rest after the strategic meeting.

Q At the strategic meeting, though, it would also have to be accompanied by another major arms delivery, the strategic meeting itself --

A That wasn't at all clear. Yes, after the strategic meeting, after the release of the hostages, the shoe was on their foot, then the remainder of the TOWs would be delivered.

North's answer on the Phoenix was a very strong, You don't know how to use Phoenixes. The Phoenix isn't what you need. That is a dumb idea. What you need are TOWs. You have an agreement with TOWs; you asked for TOWs; we are going to give you TOWs.

Q Did Hawk parts come into this?

A And he offered, I think, to provide some data to prove that -- his point, that for one thing, they had almost no air force flying. For another thing, most of the F-16s and the avionics necessary to make the missiles work weren't available anymore. I think he laid that out for him.

He said essentially [redacted] look, you may be smart, but you don't know anything about your own needs.

The Hawk spare parts did not come up. That was a surprise provided by Mr. Ghorbanifar at the Paris meeting, the March meeting.

Q The meeting you did not attend?

A No, I did attend.

Q I had forgotten you had attended that.

A Seven March.

Q After returning from that meeting, the meeting in late February, I take it that is the time then that you meet with Mr. George and recommend that Hakim be taken out of the translator business and that another individual be brought in; is that correct?

A That is right.

Q Did you recommend George Cave?

A No, I think that was Clair's idea.

Q Did you know George?

A Oh, yes.

Q Does there come a time, then, shortly after you return when you have a meeting with Mr. Casey and Mr. Poindexter about this general initiative?

A Yes. After that February meeting, we did have a meeting in Poindexter's office. Was Casey there -- Poindexter and North --

Q Some participant has reported that Casey was there.

A I think he was. Casey, somebody else and myself.

Q Clair George?

A I don't know. I have forgotten. But Casey definitely was there.

Q Was the subject of that discussion just what you were going to do next?

A The subject of that meeting was essentially a trip report by North to lay out for Poindexter -- and, as I recall, we still thought we were getting a hostage release momentarily, but then the discussion that there would be these other steps still leading towards something strategic. And, of course, there was a great deal of discussion about the problems with Ghorbanifar, including a description that Hakim had a couple of asides sort of in and out of the way -- in and out, leading into meetings and going back out, in which he said to [redacted]. This isn't going very well because of this guy Ghorbanifar. And [redacted] was saying, Yes, he is lying to all of us. So there was the beginning of a possibility, and this was definitely in North's mind, a possibility to move Ghorbanifar out of the operation.

Q I take it that these conversations -- did [redacted] speak any English at all?

A No, not at all.

Q I take it these conversations are reported to you?

A I am told his Farsi is lousy. He is not an educated man. No, no English at all, not a word.

Q So these are conversations reported to you by Hakim?

A Yes.

Q Was there a recognition that getting Ghorbanifar out would also require getting Nir out? Was there a discussion about that?

A That came a lot later.

MR. KERR: Let me interrupt. In terms of Hakim's discussions with [redacted] about Ghorbanifar having lied, are you telling me that those asides took place at the meeting in Frankfurt?

THE WITNESS: No. They were sort of in the privacy of the commotion of everybody getting up from the table and starting to move out, and then Hakim is sort of semi-clandestinely moving over --

BY MR. KERR:

Q Whispering behind his hand or something?

A Not obviously, but while others are busy doing other things and I think there may have even been a phone call from Hakim to -- direct to [redacted] office.

Q Were you aware by March 7th that Hakim had made at least one telephone call to [redacted] trying to split [redacted] away from Ghorbanifar?

A Yes.

[redacted]

Q Were you aware that Ghorbanifar knew of the call and had reacted to that?

A Yes. He knew because Ghorbanifar told him.

Q Were you aware that Charlie Allen was monitoring these conversations through conversations he was having with Ghorbanifar about these very things at that time?

A I was aware that North didn't want to be called directly by Ghorbanifar, and so he was using Charlie, who was dealing with Ghorbanifar on this terrorism nonsense --

Q That was what you were told --

A To take calls -- yes, that is right -- that he was taking calls on and being a conduit for messages to North on this.

Q Am I correct, then, by the early part of March, Allen had told you that he had been called by Ghorbanifar who was complaining about Hakim contacting [redacted]

A I knew that from North [redacted] and maybe from Charlie, I am not sure.

Q At that time had you seen any tape recordings that Mr. Allen made of telephone conversations that he was having with Mr. Ghorbanifar?

A No. I didn't know about those.

Q You had no knowledge of any such tapes at any time, January through that period of time?

A No.

Q Do you have that knowledge today?

A I have heard that he made tapes.

Q Do you know of tapes that he had from the February-March, 1986, period of time?

A I don't know anything about the time of those tapes or when he started or when he finished or how many he had.

Q Or where they are today?

A I understood they were all handed in.

Q Have you seen the tapes?

A No.

Q You haven't listened to them either?

A No.

BY MR. EGGLESTON:

Q Mr. McMahon resigns in early March; is that right?

A I don't remember the date. I am sure if that is the date you know that is the accurate date.

Q Did his resignation have anything to do with this mission if you know?

A I wondered at the time if that wasn't one of the problems.

Q Because he was so strongly opposed?

A Yes, but I don't have any certain knowledge of that. He was being beaten up pretty badly by an element that was accusing him of being soft on [redacted] issue, and there was a big letter campaign that had been mounted in 1985 against John McMahon personally that really deeply disturbed him.

Q This was a public campaign?

A This was a public campaign, thousands of letters to Congressmen attacking John McMahon for being soft on Communism and not letting the Muj push back the Russians. It was nasty stuff.

I assumed that that was a major part of it. That was a lot of nonsense and he didn't feel it was justified, and he just didn't want to be a part of it.

Q Let me get you to the March 7th meeting, 1986. I take it that again was yourself, Colonel North, by this time George Cave is involved, and it is in Paris, I guess.

A And Mr. Nir.

Q And Ghorbanifar?

A Yes.

Q So Nir and Ghorbanifar are still involved and by this time, no hostage has been released?

A That is correct.

Q As you went to this meeting, what was your understanding of the purpose of this meeting?

A To get the whole mechanism back on track.

Q I take it at this meeting the Hawk issue, the Hawk parts issue comes up?

A Yes. They had allegedly gone back to Iran and they decided that it looked to Ghorbanifar as though [redacted] was having trouble getting political approvals, that we had not provided enough to solve his internal political problems, and that they had done a re-look at their military needs and decided they didn't need any more TOWs at all, and that maybe we were right on Phoenixes, they were still thinking about that, but what they really needed was a whole lot of spare parts for Hawks, and he presented a list of those parts needed. I have forgotten how many items, 260 or 240 or something, some of which were one or two of, but some of them were 20 or 30 or 44 of one item.

This didn't seem to make much sense in terms of logistics to somebody who knew anything about the weapon.

But the rest of the meeting was sort of Nir encouraging us to believe that if you had the patience to stick with this, that it still was going to work just fine, and that Ghorbanifar was a problem solver and could -- if we could just adjust to this latest curve ball, that release of the hostages was around the corner, and after that we could proceed with the strategic meeting.

Q How did Mr. Ghorbanifar explain the failure to have a hostage released?

A There was a lot of anger thrown around the room on that. Essentially Ghorbanifar saying [redacted] was accusing us of bad faith and breaking promises and that he was in the middle and that we hadn't done everything that we had promised to and the intelligence that we brought for the Frankfurt meeting was garbage and wasn't what they had asked for. In other words -- and this was typical Middle Eastern tactics -- whatever you do isn't any good, and whatever deposit you have made doesn't really count until you start walking out of meetings and then they have to call you back in to complete the purchase of the rug. It was really kind of low-level merchant tactics.

Q Was there agreement on behalf of the American delegation that we would pursue the Hawk parts?

A Not then, because North was very skeptical that he could sell that to Poindexter, that he could keep this thing open. There was some -- there is an awful lot of pressure from Washington that it is time for the Iranians to deliver. We had done our thing and now it was time for them to release all the hostages.

And Poindexter was saying through these months, that step, Don't forget, release all the hostages.

Q And by this time, they didn't even have one.

A And if we don't get hostages, then the whole thing is shutting down. We aren't going to do this. So North was very concerned that the whole thing was going to turn off and Nir was doing his best to find ways of negotiating, find a new path to find something that would work.

Q It was at this meeting that George Cave, as did his memorandum that Ghorbanifar mentioned, that the profits from this sale [redacted] [redacted] might also be used to help -- I can't remember exactly what it said -- the Nicaraguan contras or contras or Freedom Fighters.

Do you recall Ghorbanifar saying that in the meeting?

A I don't. I recall very distinctly that he said, once we deliver additional TOWs, that a part of that -- a part of those additional weapons, and maybe it wasn't just TOWs, that something like a 10 percent slice of that, whether Iran will donate [redacted] [redacted] We will deliver those -- 10 percent of those.

Now, that is Ghorbanifar talking and I frankly didn't take him seriously, because there wasn't any discussion of that in Frankfurt, and I didn't think he had that from the Iranians. [redacted]

[redacted]

So I frankly didn't take that seriously at all.

MR. KERR: The 10 percent representation was made at the March 7 meeting or prior to March 7, that 10 percent of something [redacted]

THE WITNESS: Weapons, 10 percent of the weapons we delivered to Iran, Iran would pass on [redacted]

BY MR. KERR:

Q Ghorbanifar made that representation at the March 7 meeting?

A I believe that is right.

Q I thought they said they didn't want any more weapons, they wanted Hawk spare parts.

A They didn't want any more TOWs.

Q Ten percent of what?

A Weapons. In addition to the Hawk spare parts, the strategic thing would still lead to unstated, unknown weapons deliveries.

Now, you have got a point, because it may be that those -- that mention [redacted] came up in the Frankfurt meeting. You know, I recall that TOWs were connected.

Q There were no missiles under the Hawk missile parts that you all had on the table, I take it, at least by the time you closed the March 7 meeting; is that right?

A That is correct.

Q So you were just talking spare parts at that meeting?

A That is right.

Q With regard to the Cave note, you have no recollection of that being mentioned in your presence on March 7th?

A No, I don't.

Q Do you recall Cave telling you that he heard such a thing being said?

A I saw it when I read the memo.

Q You would have read it about that time, right, within a month or so of the meeting?

A I don't know. Did he write that?

Q Maybe I am mistaken.

A I am not sure whether he wrote that then or later.

BY MR. EGGLESTON:

Q Let me show you CIIN No. 251 and since I deposed Mr. Cave, he has identified this as his summary of the meeting, and I believe he testified that he did this at his home on a typewriter shortly after the meeting.

Page 2, paragraph 12 is his reference, paragraph 12 being the last paragraph, is his reference.

A Well, I don't know whether I saw that or not. If I had, I assure you that I would have regarded it like everything else that Ghorbanifar said.

Q The only difference, though, between that statement from Ghorbanifar and others that you might have regarded skeptically is that you are aware that Colonel North has this heavy, some say almost passionate involvement in Central America, so that it is not one of these unrelated -- in fact, it is --

A But you see, North didn't pick up on that, at least at the meeting. I would have remembered if there had been a long conversation about, well, how do we do that. We are a long ways behind that at the time, but I would have thought that if North was really interested in that and thought that was just the dandiest idea that he might have discussed that with George and I on the way back on the airplane, because we talked about -- we talked all the way home about the whole thing. And that he got very carefully compartmented. There is a whiff, yes.

Q Did you ever talk to Cave about this particular aspect of the March meeting?

A No.

Q In late January of 1986, Charles Allen had been told by Ghorbanifar --

MR. KERR: January 26th, you have a tape of that conversation, as a matter of fact.

THE WITNESS: Who has a tape?

MR. KERR: The CIA has a tape of a conversation between Mr. Allen and Mr. Ghorbanifar dated January 26, 1986, in which Ghorbanifar again talks about donations for Ollie's boys in Central America.

There are two additional references Mr. Allen has in February of 1986.

BY MR. KERR:

Q Did he bring those matters to your attention?

A No.

Q Mr. Allen also has dismissed those as being expansive remarks on Mr. Ghorbanifar's remarks. Have you and Mr. Cave and Mr. Allen talked to each other about how you would talk to people outside the Agency about the remarks?

A Definitely not.

BY MR. EGGLESTON:

Q Was there a discussion about the pricing of the TOWs, how much they were going to cost?

A What is the time --

Q The early March meeting, March 7th.

A The price of the TOWs --

Q I'm sorry, the price of the Hawk parts.

A No, there is no discussion of the Hawk pricing because this is brand new, slapped on the table by Ghorbanifar.

It was a surprise to me, and we had to go back and start work on pricing and see what would be available and how much.

Q Was there any discussion at this meeting in early March of the pricing of the TOWs, how much the Iranians had paid for the TOWs?

A No, not to my recollection.

Q There was no complaints or anything or any discussion about the amount at that time.?

A There may have been [redacted] Because we were trying to figure out pricing and costs [redacted]

Q Pricing of the Hawks?

A Yes -- well, also the TOWs. How much did the Iranians pay, how much was Ghorbanifar taking as his cut. We couldn't put that together

Q Or in retrospect, whomever.

A Yes, that is right, whomever. The part of the problem being that [redacted] -- I'm sorry -- Ghorbanifar was doing other deals, arms deals for [redacted] in Europe, not with us, [redacted]

[redacted]

Q After returning from this meeting, were there meetings within the Agency about whether or not to continue with this program?

A I don't remember. I would think that I would have gone back upstairs and reported to Clair George -- it would be unusual if I hadn't. But I don't have a clear recollection.

As I recall, there was some -- there were some days where North was very worried about whether he was going to be able to talk -- explain it to Poindexter and get an approval to continue. I did not, to my recollection, attend meetings that laid that out. I probably did have a meeting with Mr. Casey and George Cave and Clair George to describe to him what had happened and where it looked like it was going.

Q I am really now basically talking about the rest of the month of March. Do you recall any meetings that you had with Admiral Poindexter about whether or not this initiative should continue?

A I don't remember any. The only meeting I recall with Poindexter was that February meeting when we came back in his office, and I don't recall a second meeting with him on that.

Q I am about to get to the April 3rd meeting. This is probably a good time to take a break.

(Recess.)

BY MR. EGGLESTON:

Q [redacted] let me ask you, there was a meeting which was held with Mr. Ghorbanifar on April 3 and 4 here in Washington, and I take it you attended -- let me separate them.

I understand that Mr. Ghorbanifar comes in the afternoon of the 3rd and goes out on the 4th. Did you attend any meetings on the 3rd?

A I don't know which date I attended. I attended one meeting at his hotel room, and I think that was the last one just before he departed.

Q Who else was present?

A Cave and North and Mr. Nir. I was trying to remember.

This says Nir was present, and that is correct, he was present. No, I'm sorry, I don't know. I looked at the wrong line. I don't know whether -- this says Nir was not present.

Q Was Charlie Allen present during any of the period of time that you were there?

A No, not to my recollection.

Q What was the subject of the conversation that you had, or the conversations in which you participated?

A Well, I don't remember that meeting well at all and frankly I am not sure I have ever gone through it in the ten previous times I have testified.

I think everybody wore me out before we got to April. I think it was --

Q I have got lots of pages left.

A I think George Cave would remember it much better than I do because by this point, he was attempting to make sure that North understood Iran and methods of negotiating and what it meant when Ghorbanifar was saying this, and I recall a lot of discussion about what Ghorbanifar was driving at and whether he really was representing the Iranians in what he said, [redacted]

Now, this is the next step in trying to put the damned thing back together to make it work in some fashion, so there were discussions about the spare parts because we were trying to figure that out. And I think Ghorbanifar, for his part, was trying to make the demands of what would be necessary to make the May -- what eventually happened, the May meeting work, which included another batch of intelligence, as well as Hawk spare parts.

Q Do you recall at this meeting whether by this time you had arrived at a price that the Central Intelligence Agency was going to pay to the DoD for the parts that would be obtained?

A No, I do not.

Q Do you recall any discussion at this meeting about the price that the Iranians were going to be charged or any discussion whatsoever about the pricing of these parts?

A There was some discussion during that period about how we would provide those that could not be -- that were not available in the warehouse, and North was exercised that some of the things that they were demanding weren't available, and he had us go back through the logistics channels several times to try and find those parts because he was afraid of not being able to deliver, and he was -- he was urging me to see if we couldn't figure out a way to make those parts that were not available in the DoD stocks, which I told him was perfectly ludicrous idea, because you don't do that without less than a couple of years of starting time and it is very expensive. The timing was such that, yes, there should have been discussion --

Q That is my notion.

A At that April meeting.

Q That is a time at which you are about a month away from when he gave you the list and you are not, although the meeting doesn't take place in Teheran for another six or seven weeks, it appears that at the time you think it is going to be much closer than that.

A Yes.

Q You are obviously sufficiently aware of the Tower report that it appears at least it is right after this meeting that Colonel North writes what turns out to be the hot document.

A No, I didn't realize that. Part of the explanation for this -- my fuzziness on this may be that at this point, unlike the first -- unlike the first transaction in which I handled all the details and all the phone calls, both logistics and the finance and the DoD connection, by this time I had turned that part of this mechanism over to [redacted] who was the Iran Branch chief.

Q Are you chief by this time?

A I think shortly after that, and I have forgotten the date, whether it was the end of April or early May that I became chief. I think it was early May. But in either case, the logistics part of it had been moved down a notch because I just didn't have time.

Q But [redacted] didn't attend any meetings with Ghorbanifar --

A Definitely not.

Q You just don't recall any discussion of pricing at this meeting?

A That may have taken place, but I don't know that it did.

Q What arrangements were made as of this meeting if you recall about delivery of the hostages? By this time, it has now been some probably six or seven weeks since you have delivered 1000 TOWs and you still have not received any hostages, and now you are pretty far into discussions, you have obtained various of the Hawk spare parts.

Was there any discussion about the mechanics, the sequential nature? Was there insistance or any agreement that all the hostages had to be released before any additional weapons or weapons parts would be provided? Do you recall any discussion along those lines?

A Well, I'm not sure how much of this was at this meeting or how much followed between here and May, but we were moving -- probably at this meeting, we were moving toward being clear that no more hostages, no hostages at all were going to be released until this, what had been called the [redacted] Kish Island meeting, but I think probably at this meeting that Ghorbanifar surfaced, that it was going to be in Teheran, not on [redacted] Kish Island, and there was a long story about ~~[illegible]~~ Kish Island not being fit for a meeting between principals, that although it has been a sizable resort in the old days, it had fallen into disrepair and we had known that and wondered how they were going to put this thing back together for a meeting. So that didn't surprise us.

The Ghorbanifar message either at this meeting or shortly after was that as soon as McFarlane or the ranking American delegation arrived in Tehran, all the hostages would be released. Here we go again.

Q Was that not your reaction at the time?

A Sure.

Q Did you communicate that to Colonel North?

A Well, he had the same reaction by this time. It didn't take Colonel North very long to be fully fed up with Mr. Ghorbanifar.

Q Without leaping too far ahead, although that may be true -- by saying it that way, I don't mean to suggest it is not true -- although that may be true, we have another meeting --

A Right.

Q -- where we send one of our former top officials in, another seven weeks passes, along with another pallet of spare parts or a pallet of spare parts and another seven weeks passes after that before we get another hostage.

Are there beginning to be discussions that you are just getting duped and it is time to quit?

A I think there were some pretty harsh discussions after that May, after McFarlane came back from the ~~mid~~ May meeting in Teheran, which came to nothing, and it was -- we felt in the Agency that what that May meeting represented was clear that [redacted] hadn't gotten political approval, and the American delegation arrived and then he attempted to put together -- you think it is hard to get politicians together in the United States -- trying to get them together in Teheran and trying to get together the three main lines of factions in Teheran with somebody having to talk to the Americans, but nobody wanted to do that.

You know, for an Iranian politician to sit down with McFarlane is the kiss of death if it doesn't go right. So the meeting with a ranking Iranian never took place and the political approval, Iranian political approval for a ranking American delegation to arrive in Teheran never happened, never was attained.

[redacted]

[redacted]

Q [redacted] any indication about whether or not Mr. Ghorbanifar first had sufficient -- had Ghorbanifar or the Iranians had sufficient clout to actually obtain the hostages? Did you have any indication about that?

A [redacted] had said at the February meeting that that was to be difficult for them, that for Iran to do that required major concessions by the U.S., like delivery of the Phoenixes, because it was going to be politically hard to push through in Teheran. That made sense. Because you are talking about a very important, ideologically important, religiously important connection between Iran and the country that they most hope will be the next Shiah revolutionary nation, Lebanon, and that Hizballah connection is terribly important to them in exporting their religious revolution.

Q I don't really want to get into this too much because I want to finish the chronology, but it is beginning to sound to me as if there never was, an expert would have said, there never could have been a delivery of all of the hostages in one lump and particularly in exchange for just not a tremendous number of weapons.

A I think we came to that by probably -- probably

May.

Q By May before the trip?

A No, I think May after the trip, because it was after the trip that we sat down and said the Iranians are all confused politically themselves; they haven't agreed on what they are doing; they haven't agreed on doing it with us; they haven't agreed that there will be a strategic initiative.

Q Did you actually think before the trip that delivery of a quarter of the Hawks was going to result in release of all the remaining hostages?

A I wouldn't think so. I don't remember, but you know, I am the skeptic in a lot of this when it comes to Ghorbanifar arranging a May meeting -- he is the one who is saying this. I don't know why I would believe that part of it any more than any of the other parts.

I think somebody else used the expression "hope springs eternal." North truly is one of the great American optimists, and feeling that if you just did a few more things right, that this thing is all going to fall into place, always right there on the front.

[redacted]

[redacted]

Q It would seem the delegation would have known that they were in trouble.

A I don't recall any discussion of that immediately prior to the meeting to leaving. I was involved in briefing up McFarlane on it, who I thought was coming into the whole thing cold. I feel kind of dumb now, because he knew a lot more about this than I did, and I tried to explain to him how it started, and Ghorbanifar --

he must have thought I was pretty stupid.

BY MR. EGGLESTON:

Q Did he disabuse you of your feeling?

A No.

Q Did you meet him on more than one occasion before you went?

A We had two sessions with him. George Cave and I went to his office downtown and gave him an Iranian brief, and we had him come to the Agency and ran through the intelligence we were going to provide, which included a briefing on other things.

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BY MR. EGGLESTON:

Q Let me ask two other quick questions before we get to the aftermath of the Tehran trip. First there was a meeting that took place which you did not attend on May 6th.

A That is correct, I did not.

Q The last meeting prior to the time that McFarlane and his delegation went to Tehran. I have asked Mr. Cave about whether there had been discussion about having an advance team, for lack of a better word, go to Tehran to set up a meeting, a group probably himself, and North before they sent someone of the stature of McFarlane to make sure there was an agenda; that things were planned.

Mr. Cave said there had been discussion of it, but didn't know why such a plan had been rejected. Do you know why, do you know whether there were discussions of this at your level or higher and whether a decision was made not to pursue an advance meeting?

A I recall the discussions too, but don't recall why it was turned off. I am not sure that it was at a higher level. I think North and Nir probably had the most to say about that. Nir was consistently urging us forward on this.

We had made an attempt to make sure that Nir did not go on the -- as a member of the U.S. delegation to Tehran, and he insisted that Israel had a major equity in this, and he had to go along, and there was a White House communication to Israel on that issue. And that ended up with McFarlane making the decision. It was put on McFarlane's plate whether Nir did go or not and McFarlane said, yes, it is apparently not a big enough thing to fight about.

But the pre-delegation might have been a little hard to put together because there was some discussion about whether Ghorbanifar would go in with the American delegation, and I recall us insisting that he had to be there in advance, and we had been assured that we knew that there had to be some verification that he was in Tehran in advance with a phone call.

I think there might have been a little problem with the prior delegation because North might have thought it would have consisted of everybody except McFarlane, Ghorbanifar, Nir, Cave, communicators, himself, and the possibility that in Cave's mind that he might not quite have enough clout to make things work himself, but he would have that if McFarlane was present.

I am sort of speculating there.

Q As a purely irrelevant aside, Mr. Cave also told us that the only person that the Iranians knew at the delegation was Mr. Cave, Mr. McFarlane meant nothing to the Iranians because they didn't know who he was, so George, they thought, was the man to deal with.

A Or at least that is what they said.

Q That is what George related to us. At least by the time of the May meeting, the price that CIA was going to pay to the Department of Defense for what amounted at this point to parts as well as 500 TOWs was a total of approximately $6.5 million -- is that consistent with your recollection, approximately $3 million for the parts and approximately $1.7 million for the TOWs, and it appeared from the documents that I saw that there was another bit of money that had been forwarded or made available as a result of testing of radars or something.

A Yes. 1.7 is the missiles plus there were some shipment, transportation costs and there is a question of two radars, that is another thing that we haven't talked about.

They were demanding two radars which belonged to the Iranians purchased during the Shah and which were under lock and key as a part of the property still being negotiated between our two governments in a government warehouse in Pennsylvania, and then the other part of it was the spares, which was $4,300,000. Is that what you said rounding off?

Q What was your understanding on what was going to be paid for the radar?

A Six million two hundred thousand dollars was the figure that was going to be quoted by CIA to the NSC. That was what we needed to cover. Your question was a little different -- you said what was my understanding of what they, the Iranians, were going to pay.

Q I guess you indicated -- was it your understanding that the Iranians, albeit through a different government had already paid for the radar under the Shah era and they had never been delivered?

A That is right, but the Iranians didn't know that those were the two radars that they were going to buy again, and in order to get these out of State Department control, because they still had this lump of a lot of things which belongs to the Iranians and has -- I have forgotten the technical term, but essentially when they are released to them they are still being negotiated in the Hague in the World Court -- if we took those two radars out the only way you can do that is to deposit the money for them, and so it had to become a separate purchase.

So it was as if they were buying two new radars. The only radars that were available in the U.S. inventory anywhere happened to be these two that were in the warehouse that Iran had already purchased. So we sent DOD to the Department of State to figure out whether or not DOD could purchase back from the Iranian stores those two radars.

The State Department wasn't told who was going to be the recipient. The State Department said, no, and there was another discussion, and we eventually got the reply from DOD that, yes, the State Department, the office that handles this had said, yes, DOD, you can buy that. You need to pay whatever the fair market value is.

Q The CIA, though, never received into its account money from the Iranians or from anyone to cover the cost of the two radars?

A No, we did not. We thought we were going to because the independent counsel has gone through that with me in some detail. There is a series of financial cables in May from the Office of Finance to our [redacted] [redacted] and the first message says, "Okay, here we go again. You are about to get a deposit of $13 million into your account."

Two days later there is a second cable that says, "Please be advised when you receive this, it may be $10 million instead of $13 million,"and then two days ago by another message goes out and says, "Why would you respond? Where is this?"

The reply comes back $6.5 million has been deposited -- could that somehow -- we didn't report that right away, because it wasn't the right amount, could that be the amount you want. When that came in, I phoned over to North and said, "6.5 is in. That is a start?" He said, "Yes, 6.5 is in and the remaining 6.5 is going to come later.

Q But you thought you would continue with the Tehran trip before the remaining 6.5 arrived?

A I think you are going to have to go to my logistics guy on that, but my understanding is that the 6.5 represented the radar and the decision by the Iranians either before or at the May meeting that they didn't want those two radars after all.

Q I have documents. I am not sure it is important. CIIN 196 and 199 and 197 -- 196 is dated 16 May, and it advises the DOD essentially that 4.3 approximately -- it gives a specific figure -- is available for the attached requirements with the exception of line item 240, which appears to relate to Hawk spare parts.

199 is dated the 16th as well.

A This is an Army document, right?

Q Well, I had gotten it from you. I thought it was a memo from you to the Army.

A That is correct.

Q It is blocked out. I assume you don't when pp 199 refers-- the same date, to a deposit of approximately 1.7.

A What block out are you talking about -- chief, [redacted] -- no, I don't know that name.

Q So that is --

A So this is the TOWs --

Q That is the TOWs, and I guess as to some amount of money is provided on the 20th, which relates to the radar but it is only enough money to test the radar. It is not enough money --

A Yes. The Army was telling us, that thing has been in mothballs and ~~[illegible]~~ cobwebs for some years. We have to get that thing out and dust it off and air it out, and see if it works.

Q On the payment for the TOWs, let me ask you, who did you understand -- was it your understanding that the Iranians were paying for the TOWs or that the Israelis were paying for these TOWs?

These TOWs are only going to Israel. Did you have any knowledge of that at the time?

A This is May and the number is 508.

Q Correct.

A So we must have known that was an Israeli pay back. That is a good question. I don't know. I don't know what the answer to that is. I mean, we have obviously covered that before, but I don't --

Q You and I haven't covered it before.

A I'm sorry, I didn't mean that.

MR. KERR: Is there a place where it is transcribed so we can see what you said before?

BY MR. EGGLESTON:

Q I don't remember it coming up before.

A If I remembered that, I would probably remember what I said.

MR. KERR: Maybe not. If you happen to recall today or tomorrow or some other time that you have answered this question before, I would love to see what the answer was. I also have not encountered it in anything I have read.

THE WITNESS: Well, it isn't in the SSCI thing because I, in the last week, I reviewed my testimony in that. It may be in the Army IG report, because we went through the missile thing so thoroughly with them.

I don't know. Is there a ~~HIPSE~~ HPSCI transcription of what --

BY MR. EGGLESTON:

Q There was, but it is not mentioned.

A I have not seen that, so I don't know. I will have to think about that and see, because it is clear -- I mean it is so obvious that that is a pay back to the Israelis, where obviously the Israelis are paying. Now so as far as we are concerned, all we are doing is quoting to the NSC an amount that we want the NSC to put into our account.

I suppose it is conceivable, and again I think I have to direct you back to [redacted] who was handling this matter on why -- whether we asked who was paying. I would have to assume it was obvious that the Israelis were paying. But whether they were doing a slick one on the Iranians and covering those costs and in fact the Iranians were paying, I wouldn't have any idea.

[redacted]

[redacted]

A [redacted] but at that moment it is not clear to me whether or not the radars are involved. The first cable that went to Tehran was $13 million, and then on up to 20, that wouldn't be too striking.

Thirteen million actual costs, well, -- Chuck here is making faces at that.

MR. KERR: That is a heck of a markup in Nir's trade, $13 million.

THE WITNESS: That is correct, and you should know by now that that is not a firm Middle East markup. [redacted]

So, yes, a pretty good sized markup. I have also said several times, and forgive me for repeating, but the standard practice is that somebody in Tehran political, several people, certainly including [redacted] but also more ranking politicians in order to be involved in this deal, they will be getting a siz~~e~~able amount of money.

Now, you know, in retrospect what doesn't fit is the $20-million-plus figure if our costs were only 6.5. We were trying to figure out at the time, where are they coming from and where does $20 million come in.

MR. KERR: It had to be a sharp focus at the Tehran meeting when Cave and North are told by Ghorbanifar if asked if $24 million is the right number they are to say, yes. You recall that?

THE WITNESS: I had forgotten that.

BY MR. EGGLESTON:

Q You would have discussed that when you came back, wouldn't you?

A I am sure we did.

Q If you departed with $6 million worth of goods and you had Colonel North and George Cave attesting to a $24-million value for those goods, I would have thought that would have caused some concern back at Langley. Did it?

A No.

MR. KERR: You felt that that measure of markup was within the realm of what Ghorbanifar might do?

THE WITNESS: Well, in retrospect, no, it was pretty silly, but it certainly never occurred to me that Colonel North was skimming something off. I can give a lot of credit to Ghorbanifar and ~~Tehranian~~ Iranian politicians and the rather minor transportation and logistics expenses, the Israelis take a little something, but in retrospect I cannot come up to $20 million unless it also includes the radars, which were still -- were still somewhere out there coming later on.

MR. KERR: Assume for a moment we are talking radars. At the time that you learned after the May trip --

THE WITNESS: You have to assume that because I am telling you that the radars were still being discussed as a piece of the proposition.

MR. KERR: The radars were still being discussed as a piece of the proposition during the Tehran trip as well; is that your testimony?

THE WITNESS: That is my understanding.

BY MR. EGGLESTON:

Q Is it your understanding that the 24 1/2-million-dollar figure was put before North and Cave, that that was to include the radars as well, is that correct?

A It wasn't stated to my recollection.

Q You are aware, are you not, that Mr. Cave then went into a number of conversations to try to find out what the figure really was, he was given that assignment; isn't that right?

A In Tehran?

Q After Tehran, when he was trying to figure out what the 24 1/2 million dollars was, he knew that Cave was trying to find out the prices.

A That assignment wasn't given him by me.

Q Did you know he was doing it?

A He was the principal in this. I don't recall that I knew about that. I do recall we discussed very strange financial figures.

Q As of late May, early June, do you have a recollection of having heard at any time preceding remarks akin to the remark that Cave reported at the March meeting and the three or four other instances where Allen heard Ghorbanifar refer to generating money for Ollie North's boys or Central America, Nicaragua?

A No.

Q You had never heard that from Ghorbanifar reporting what Ghorbanifar had to say about these matters as of May or June?

A I never heard that.

Q You never heard George Cave discuss it?

A He said he heard it at a March meeting.

Q You do talk to him from time to time. He didn't tell you that he heard that at the March meeting?

A No.

Q Charles Allen didn't tell you at any time he heard that at the March meeting, is that correct?

A That is correct.

[redacted]

BY MR. EGGLESTON:

Q At the end of June, George talked to [redacted] about the financial problem. It had by then reached crisis proportions by the end of June?

A Yes.

Q Was this discussed with you?

A The financial crisis was discussed with me.

Q And the figures that remained twenty or so million dollars even after the radars were dropped out.

A Yes. Most of the attention on the financial figures was, you tell me George Cave and I am sure he did a lot on it -- in addition to that design would have been working on figures because he was doing most of the arrangements with the logistics channel and was the headquarters principal backup.

So he was spending a great deal more time on this by before the May meeting, and on through the summer.

MR. KERR: [redacted] left his position on the

Iranian desk at the end of May 1986, did he not?

THE WITNESS: I thought it was mid to late summer, July or August. No, you have got [redacted] testimony, and I don't recall. He was still on it in May.

BY MR. EGGLESTON:

Q Let me move -- I want to discuss the aftermath of the Tehran trip, which is a period of time substantially in June of 1986, and I want you to tell us about meetings that you may have attended where the issue of whether to continue with this initiative is being discussed.

Did you attend meetings where that issue was being raised?

A No. Where are we-- in May?

Q June, after the trip. The trip has now basically been a disaster. Let me ask you one question about the trip.

There was a report last week that in the early morning of the day that Colonel North and McFarlane and the rest of the delegation were going to leave that Colonel North reached his own agreement with Ghorbanifar, and that Ghorbanifar agreed that a hostage would be released, and Colonel North ordered at least some part of the rest of the parts to be delivered.

Had you ever heard that before?

A Would you say that again?

Q There was a story which was on the front page of the Post on Friday about the last day of the trip to Tehran, and it reported the following factual circumstance-- what I am asking you is to your knowledge is this true, and had you ever heard this before prior to the time that you read it in the newspaper if indeed you did.

It sounds like you didn't.

A No, I read the newspaper.

Q Do you recall the report that I am talking about?

A Yes.

Q What I am saying now is only summarizing what I read in the newspaper. Generally, I recall reading in the newspaper that the report was that the early morning of the day that the delegation left Tehran, Colonel North reached an agreement without the participation of Mr. McFarlane for a release of a hostage, that Colonel North himself ordered additional parts to be delivered; that when McFarlane woke up or learned about this agreement, he cancelled it, and that --

A I read that. I have never heard that before to my recollection. I was going to ask George about it, and I didn't do that. I don't think that is true, but I don't know. You ought to ask George Cave about it.

Q I had just asked you about whether or not you had attended meetings at the White House related to whether or not this initiative should be continued after the Tehran trip.

[redacted]

A No, I did not attend a White House meeting. I recall a conversation with North, I think, during this period in which he said he was going to need Casey's assistance to keep this thing going-- Casey's assistance with Poindexter. And I think that was after this May thing.

Q Do you recall any meetings with Director Casey about this initiative and whether it should remain going after the Tehran trip?

A No, I don't.

Q Are there -- this becomes a period of a month where essentially -- nearly two months ~~were~~ where essentially nothing happens despite the fact that we have sent a very senior individual over. There must have been discussions and concerns that now it is time to quit.

A My own impression was that it was all going to fall apart, that I thought that the May meeting was it. And I can remember being truly astonished in July when in fact a hostage was released. I do not recall being a part of any major meeting in which this was sort of thoroughly gone through about what the next scenario is and where we go from here. There may have been such meetings.

Q Was there any -- do you recall any meeting between January 17th or 18th, 1986 and the time that the next hostage is released in July where there is a discussion about whether or not now it is time to notify Congress?

A No.

Q Did you discuss it with anybody?

A There was some discussion about the amount of Pay-in ~~[illegible]~~ that was in the channel and that Ghorbanifar was unhappy and that there was all this finance confusion and that there were -- you see we are starting to get toward the later period where the Furmark letters come in, but there was at this point some discussions, as I recall, about that.

But I don't recall any -- I would have thought that the discussion about notifying the Congress would come at the time the Furmark thing surfaced in October. I wouldn't have thought that would happen in July.

Q The only thing is you had indicated that when this was first enacted it was your view that everything was going to happen very quickly, and you thought that within a short period of time all the hostages would be released and it would be a relatively brief period of time.

By July it is your view that this is probably going to die and I would think from interviews I have conducted at NSC it was Admiral Poindexter's point of view that this thing was pretty much over. I wonder whether you thought that now apparently the emergency is over and it appears that the whole initiative is going to die. Was there discussion now it is time to notify Congress?

A I don't remember that discussion.

Q In late June and early July of 1986 the pricing issue becomes extremely hot. This is the period of time -- I know there is a telephone call between Cave and [redacted] on June 30th is the one I have seen that refers to a call that has taken place previously where [redacted] is harping on the price.

He claims that the price of the Hawk parts, and he specifically says Hawk parts, is six times the cost, at least in this conversation of June 30th is a conversation where he talks about a microfiche which he has seen which seems to set forth prices.

If you just look at the price of the Hawk parts, he is about right, if he paid $24 million, it is about 6 times the price that the CIA had to pay the Department of Defense.

What reaction was there in the agency to this really quite vociferous complaint by [redacted] about the price of the Hawk parts?

A My reaction was that Ghorbanifar had really skinned him. [redacted] I confess I didn't do any investigation of, as George apparently tried to do, of trying to make those things fit.

Q You must have, though, at the time have been concerned with this much gouge. This must have been unusual even for Ghorbanifar. Maybe not. But with this much gouging and this is not as if it is an operation with money at stake, in fact the other half of the deal is they have some control over lives of several hostages. I can't imagine that there was not an enormous concern that this has now gotten so far out of hand that we have made our hostages worse off than if we had stayed out of this to start with.

We are now in a situation where [redacted] is mad because ~~and this~~ he has been ripped off by us. Did this not create a desire on the part of the agency to get to the bottom of this, talk to [redacted] to Ghorbanifar, to Colonel North, what is going on here.? How could this be this much disparity because this isn't just a minor problem at this point.?

It seems to me that now you have a serious problem. Did you take any steps to try to get to the bottom of this pricing issue?

A No, I didn't.

Q Mr. Kerr told you that he thought George Cave had, and you indicated that although you were happy he did, you didn't know that at the time.

A I think I may have known it. I just don't remember.

It is hard for me to believe that I didn't know that George was. I do recall that Charlie Allen was working on that. I confess I was not spending very much time on this by this time, George is taking care of the political, and North part of it, and the logistics part of it being taken care of by [redacted]

[redacted] left the end of May.

MR. KERR: [redacted]

BY MR. EGGLESTON:

Q Do you know who would have done it?

A I think that may be part of the problem, because I think --

Q Nobody?

A I think I will have to check with [redacted] but I think I brought him into this part of it, and he was available as the -- [redacted] and I think I may have turned this part of this over to him.

MR. KERR: He recalls that you told him one day in mid-August, "Would you like to have the Iranian branch?" He said, yes. You drag him into the room and told him about this piece of work, and he said that was August 15th.

Is that what you recollect?

THE WITNESS: Well, then if that is the case, then if that is the case, then [redacted] is still there. [redacted] but he is still in the position. I am sorry. I should be telling you.

MR. KERR: [redacted] told us that he had no more responsibility over the Iranian desk or this matter after May.

THE WITNESS: [redacted] Piecing those bits of information together [redacted] remains the branch chief until -- [redacted] so he is there until on or about 1 August. I would have thought that discussion would have taken place a little before that, but I can't prove that.

I do recall [redacted] digging into that pricing thing, but that was -- and specifically on this thing that you have mentioned, the microfiche -- how [redacted] was there when that came in or was digging into what that represented. I think we had copies of that fiche and learned that the Iranians were still on the DOD mailing list for current pricing left over from being FMS recipients 10 years before.

BY MR. EGGLESTON:

Q So you think the U.S. Government sent them a copy of the prices?

A That is my understanding.

Q I knew it went to a lot of places. I had heard that it had fairly wide distribution. Did you have any conversations with Colonel North during this time period about the pricing?

A No. Not that I recall.

Q Was there any -- when [redacted] begins to talk about this price list, microfiche, whatever it is he has, an exchange, is there any effort in the agency to create a defense suggestion to [redacted] that the price list that he was looking at was incorrect?

A Yes, there was something on that, and that is why I recall that [redacted] was working on the fiche thing.

Q What was the plan?

A There was a plan to provide them with a fiche which would be that, the cost to the -- the real cost -- I have forgotten how it was exactly worded -- the real cost to a non FMS customer as opposed to that which was FMS, most favored nation. In other words, an explanation that would help show that the price was something in excess of that, that data, the fiche that the Iranians had.

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BY MR. EGGLESTON:

Q But it did not -- it did not -- it never came together for you that what Mr. Furmark was claiming was at least more likely true than not?

A Well, I can remember sort of two reactions, yes, that is conceivably true, but also confusion that he would need that with the private f~~i~~unding available that I assumed he had.

Q Although if --

A You know, maybe that is rationalization in retrospect because I truly didn't want to believe. It was disgusting.

Q This would have been $20 million if just the intelligence information you had on the information you had from [redacted] that he had paid 24 just for the parts, and that he would only charge you -- meaning the agency -- only charge you $4 million for the parts.

There was a substantial --

A Is the 20 including both TOWs and parts or that is just parts? I have forgotten.

Q The conversations over the telephone that Mr. Cave ha~~s~~d seem to tie it only to the parts and there is no mention in those conversations as I recall --

A So is that why the 24.5, because that includes the TOWs?

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MR. KERR: No. From what we could tell from the conversation -- the 24.5 figure comes up in the Tehran meeting. The figure comes up in a telephone conver~~as~~ation after May, I can't give you an exact date --

THE WITNESS: I apologize for asking you questions. What I was trying to do was figure out why the difference between the 20, [redacted] and the 24.5 and I was wondering if that had to do with the inclusion of the TOWs when the 20 was only spare parts. I don't know the answer.

BY MR. EGGLESTON:

Q Putting aside what you may have thought or known or did or whatever, what did you do after reading these memos? This was an operation that you had basically been in charge of since January of 1986 and now you learn that there is at least some likelihood that Colonel North is in charge and you have been essentially charged to be a support person.

A I guess I did damn little. I don't feel particularly good about that, but as I told the SSCI, I did ensure that that memo which Clair George had not seen did get to Clair George. And then I think I would have to tell you --

MR. KERR: The memo being the Furmark memo?

THE WITNESS: The Furmark memo, yes.

MR. KERR: I am sorry.

THE WITNESS: And then when the subsequent Furmark memos turned up, I, in each case, again, showed Clair George some of those. I think I would have to tell you that I had pretty much retired from a very big political problem at that point, that I much preferred to run Middle East operations than to get into the middle of that one and it looked to me like Casey was going to have to do something about that one fast.

And indeed, I heard back some feedback that within a week I would say that Casey had gone down or was about to go down and talk to Poindexter.

BY MR. EGGLESTON:

Q Did you ever just pick up the phone and call North and ask what is going on?

A No, I didn't.

Q Do you know whether North knew that these memos had been written or whether North knew that Furmark had spoken to Casey?

A Oh, I --

Q You would assume so?

A I can't give you first -- I don't know the answer to that, but I have to tell you that I would believe that Charlie Allen would share that with Colonel North very quickly.

Q Why don't you just pick up the phone and say, Colonel North, have you betrayed me? My reaction, had I been in your position, and did not know anything about it up to now, would be to call and say what did you do? I was the lead guy at the agency, now I have an allegation that you may have skimmed off money.

Is there a reason you didn't call him and say what is going on?

A No.

Q So you did not?

A No, I did not.

Q Do you have any other involvement whatsoever with this Furmark issue between this time and November 25?

A No, that was pretty much Charlie Allen taking the memos directly to the Director. It was clear to me the Director was working on it.

It was taking place at the political level at that point. It was a political problem, and I don't really get involved in political problems. I am an operations officer.

Q There comes a time in the week of -- the week before November 21, 1986, on November 21st, Casey testifies before the various committees of Congress -- the week prior to that there is an effort in order to get his testimony together, and get chronology together and I think the agency prepares chronologies and begins to work on his testimony.

Are you involved in any fashion in getting those chronologies of testimony together?

A Yes, [redacted] wrote up a N.E. Division chronology.

Q Do you know how he assembled that? He was not there through most of the time, so he does not --

A He assembled part of that by -- from my files, and with George Cave's help. And I recall seeing a first draft which wasn't terribly good and we did a second draft that I helped out on.

Q Did you -- there was then a session I think on -- I am sorry, by "draft" did you mean draft of the chronology or did you mean draft of the testimony itself?

A No, a draft of the N.E. contribution which was sent upstairs to be melded into Mr. Casey's testimony.

Q And what period of time did the N.E. section cover? Did it cover a particular period of time?

A You have that and I assume it would cover from the time we entered the 18 January --

Q I don't know that I have seen it to identify it as the N.E. addition. I don't know that I have seen anything that I know to come from N.E. division.

MS. DORNAN: It did cover prior to January 1986 because [redacted] took the chronology to North and North said it was inaccurate prior to CIA's involvement, but thereafter it was fairly accurate.

How at that point did you know about the September/

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November shipments, was it in the news by that time?

BY MR. EGGLESTON:

Q That was sort of the next place I was going. Did you personally have any meetings with Colonel North in order to develop a chronology that the NSC was putting together?

A Cave and I went over to North's office sort of the first day after this broke, and he was working on a chronology. He was working on a speech -- he was working on the first speech that the President would make.

Q The President gave a speech on November 13th?

A And that was the first presidential statement on that, and North wrote sort of a first, second and third draft of that, which we attempted in a very small way to try and help him with.

And secondly, that was attempting to put the best face on this whole thing without telling too much, because he still hoped that somehow this would continue on. It was an effort in seeing how little could be said. The speech that was actually made by the President was -- I left because when it didn't look like I would be able to make any contribution, I had to go do something else by noon. Cave stayed a little longer.

The speech that was made that afternoon or the next day was unrecognizable -- I mean, what had happened then was there were a lot of people who wanted to help write it,

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but what North had written went over to one of the President's speech writers and he sort of started over as far as I could see.

Q Was there anybody else there that day working on the speech?

A Yes. The two North deputies or two North fellows working with him -- Craig Coy --

Q Was General Secord there while you were there?

A No.

Q How about Mr. McFarlane, was he there while you were there?

A No.

Q Did you have any discussion -- by this time I take it you had seen these memoranda relating to the Furmark conversations?

By the 13th?

A 13 November?

Q Right.

A Yes, I must have, sure.

Q And so now you are in a face-to-face meeting with Colonel North working on this whole problem, at least of the Iran initiative. Did you have any conversation with him at that time about the suggestions that were made in the Furmark memorandum?

A No, I didn't, and I would have to tell you North

CAS-8 was going crazy trying to -- this sounds like an excuse -- North was going crazy trying to get this thing written because he was getting angry calls from speech writers, from Poindexter, from Peter Rodman, from Poindexter's deputy, from everybody except the President.

So the rest of us were trying to go through these drafts line by line while North is shouting into the telephone. There wasn't much of a chance for discussion on other matters.

And I will say that if there had been -- I am not sure --

Q Between this time and the 13th and the 20th of November, did you have any other meetings or any other contact with North in his office?

A No.

Q You do not re-appear to work on the NSC chronology?

A No.

Q Did you see North out at the agency during those two days?

A Two days -- 13 and 20.

Q The 13th and the 20th?

A No.

Q There comes a time when on the 20th, the 19th or the 20th when Mr. Casey's testimony is actually now being drafted. You indicated that something is taking place from the N.E. Division in order to prepare a chronology for that. Was that immediately prior to the time that Casey's testimony was going to be given, is that the reason that you were drafting chronology?

A Yes, our request was to draft up as complete a chronology as we could for use in pulling it together in his testimony.

Q Was the N.E. Division charged with drafting the complete chronology? Were you the ones who were charged with putting the whole story together?

A My impression was that several people were drafting up different parts of it to the best of -- everybody who could contribute would do whatever they could and then Casey's executive aid would pull it together in a clear statement.

MR. EGGLESTON: Diane, you probably know more about that chronology than I seem to recall. Are there provisions in the beginning of it about the time period prior to January 1986?

MS. DORNAN: Yes. I believe there was reference to the September and November shipments. Chuck, you may recall what exactly was at issue with North. I don't recall.

MR. KERR: The issue, I believe, was the

November --

MS. DORNAN: Maybe an Israeli involvement, but anyway North did make a general comment without going any further as I recall, he simply said that it was not accurate prior to January, but after that it was good.

MR. KERR: The initial draft stated that the August-September 1985 sale of TOW missiles was done at the behest of NSC. Do you remember any discussion with [redacted] over the pre-January 17, 1986 aspects of his chronology. Whether it is August or September or November, anything like that?

THE WITNESS: No, I don't.

MR. KERR: Any request by North that a change be made in the chronology?

THE WITNESS: Not that I was aware of. You aren't saying that North told --

MR. KERR: I am saying that North wanted to change the chronology, yes. My impression --

THE WITNESS: The pre-January --

MR. KERR: Aspects of that with which he disagreed, yes.

BY MR. EGGLESTON:

Q In any event, we don't need to ask you --

MR. KERR: You don't recall such a conversation on that score?

CAS-11 THE WITNESS: No. [redacted] is very thorough in reporting back to me, so I --

MR. KERR: It could also be a mis-recollection on my part. I am interested whether or not you recall a discussion with him about talking to North about the chronology. The one point that stuck in my mind is you had told him to let North review the chronology but instructed him not to leave the chronology with North. Do you recall giving any such instructions to [redacted]?

THE WITNESS: No, I don't recall that. If that is [redacted] recollection, I am sure it is accurate.

MR. KERR: I think several of us were left with the impression that there might have been some heat generated by this matter. You don't remember that either, I take it, that there was some real stress, difficulty between North and your office about [redacted] chronology?

THE WITNESS: I am sorry. I just don't recall any.

MR. KERR: That is fine.

BY MR. EGGLESTON:

Q Did you see North over the weekend or any time between November 21 and November 25?

A No.

Q November 25th is the day that Colonel North is fired and Admiral Poindexter steps down. Did you speak to him

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over that time period?

A No.

Q When is the first that you learned that the Colonel is going to be fired or maybe had been fired?

A I listened to the speech in the office, the Meese statement.

Q You did not otherwise know what was coming?

A No.

Q Did you speak to Colonel North after he was fired?

A No.

Q Have you spoken to Admiral Poindexter?

A No.

Q I think that I am done.

MR. KERR: There are two or three areas that I need to touch on before we close.

EXAMINATION

BY MR. KERR:

Q Do you know a gentleman by the name of [redacted] who was chief of your [redacted]?

A Yes.

Q Do you recall having discussions with him in April of 1986 about a vessel known as the Erria?

A Yes.

Q Could you relate to me your best recollection of what transpired between you and him regarding the Erria?

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A Colonel North was pushing his boat -- what we termed his boat, a boat controlled by him, on us for use [redacted] We wanted no part of that.

And again, this comes back to this very basic compartmentaization thing, whatever North is using that boat for, and I recall a whiff, probably from the [redacted] memo, that the boat was used for Central American deliveries. I wanted no part of that [redacted] I had enough problems with North on Iran, I didn't really want him in the middle [redacted]

Q Yes. I have also talked to [redacted] but I need your recollection of what happened. How did North come to

CAS-14 know --

A You have the [redacted] memo there?

Q I don't have it with me. How did North come to know [redacted]

A He was a member of an inter-agency planning group, [redacted] And he was present at some of those meetings.

Q When he learned [redacted] North approach you about the Erria?

A I think initially what he tried to do was -- I think he tried to make a phone call for us on our behalf or have Poindexter make a call [redacted]

Q Did he do that at your request?

A No.

Q On his own volition?

A I didn't discourage him from it. I knew that he was going to do it. I think it was his suggestion and I am sure I said, fine, that would be very helpful. Then some period of time went by [redacted] but it was at that point he suggested that he had access to a -- that he had a boat that he could provide.

Q The first discussion that you had with Colonel North

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about [redacted] would have taken place when in time?

A I don't know.

Q January, February?

A No, no. This is much later. When is the [redacted] memo?

Q The [redacted] memo is April 23. I am trying to find out when the first call by Poindexter [redacted] would have been. Would it have been early April?

A I would guess so. It would have been fairly shortly before [redacted] got in the act.

Q Have you ever heard of the vessel Erria or any other vessel associated with Colonel North prior to this [redacted]

A No.

Q With regard to the Erria, did you discuss with Colonel North what a Marine Lieutenant Colonel was doing with a freighter?

A I think he told me that this was a boat that he used for Central America. I am quite sure he did.

Q Did he indicate to you that he owned or operated this vessel?

A No.

Q Did he indicate how it came to pass that a Marine

CAS-16 Lieutenant Colonel was operating a freighter in Central America?

A No.

Q With regard to the contact with [redacted] after Colonel North indicated that he would have this freighter available, did you tell him to get in touch with [redacted] or did you bring [redacted] into the office, how was the connection between the two of them made?

A It has been a long time since I have read that [redacted] memo. And my recollection is -- I don't remember how that happened, but my recollection is that [redacted] was involved in that decision to send [redacted], and this is April he is still the Chief of the Division at this point.

Q Assuming he made the decision --

A You see what I don't recall was whether that came from the seventh floor down to [redacted] in other words, North having not gotten a positive answer -- I have an impression that he then offered it up to either Clair George or Casey.

Q "He" being North?

A He being North. So he is coming around me, and it came down to [redacted] I can't be absolutely sure of that, but I think that happened.

Q The memorandum says that the vessel apparently has been used by North and company to move material to Central America.

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When I talked to [redacted] I was left with the impression that he got that information about the vessel from you. Do you recall giving him that information?

A Well, if I had heard that from North, and my recollection is I did, I certainly would have shared it with [redacted] I would have told him anything I could.

Q Do you know of anyone else who would have known that the Erria had been used to move "material" to Central America?

A I don't know.

Q Do you recollect what material you knew the Erria had been used to ship to Central America?

A I didn't know.

Q You didn't know whether or not it was a military boat?

A No.

Q You had no discussion with Colonel North in the spring of 1986 regarding that?

A No.

Q With regard to contacting Colonel North, my impression of what [redacted] told me is that you gave him a way of getting in contact with North's agent, if you will, is that your recollection?

A Say that again.

Q How was [redacted] supposed to get in touch with North

CAS-18 and how were you going to put him in touch with North?

A [redacted] reached North; is that right?

Q Did you have anything to do with putting [redacted] in touch with Colonel North or someone acting for Colonel North with regard to the Erria?

A I am not quite sure why [redacted] had to be in contact with North, was he in contact directly with North? What I am getting at is I have forgotten the [redacted] memo, as I said, but I would have thought that we simply had a phone number and a name of the bussiness man and that was provided to us by North and we told [redacted] to go about it. I don't recall that [redacted]--

Q Was it you or was it [redacted]?

A It would have been either me or [redacted]. I have a recollection that this came around North, from North to the seventh floor. It didn't make me feel very cozy about it, which is why I think I recall it and that North having gotten a stiff arm from me was finding another way to let his vessel be used by the CIA.

Q Do you recall having a conversation with Colonel North about this business man [redacted] was to get in touch with?

A No. I have forgotten his name.

Q Would the name Robert Olmstead refresh your recollection?

A No.

Q Did you have a discussion about Robert Olmstead with Colonel North?

A No.

Q Do you know if there is a person named Robert Olmstead?

A The man [redacted] talked about meeting was Robert Olmstead. I assume that was a real name.

Q Was there any checking done at CIA to determine the identity of Robert Olmstead?

A As I recall, there was a business card attached to the memo.

Q If you had checked that out you would have found that it went to an answering service that has a number of things that happened there. You didn't check it out?

A No.

Q You didn't have a discussion with Colonel North about the fact that he was going to give you a person under an alias with regard to the Erria?

A No. I never heard that. Are you sure -- the independent prosecutor asked me about Olmstead and I gave him that [redacted] memo with the business card attached and he -- his reaction was such that he seemed to think that was a real person, so I am surprised that you tell me it isn't.

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Q We think we know who he is and his identity. But you never met Robert Olmstead?

A No. If you do know an identity and want to confirm that, just show that photograph to [redacted]

Q He will get that opportunity. You don't need to have that opportunity because you have never met Olmstead, right?

A Yes.

Q With regard to the Erria, did you have further discussions with Colonel North about the Erria at any time?

A Well, I think it took us a while, yet after that incident before we got North turned off on the Erria, but we eventually did and made clear to him, and I got seventh floor support not to use that [redacted] and that effort continued through the summer, so there may have been another point when he tried again, but it didn't get anywhere.

Q [redacted] had two meetings with a person that he knew as Robert Olmstead. Did you have discussions with [redacted] about these meetings after he had them?

A I read the memo and then we, [redacted] and I, both had discussions with him.

Q Can you relate to me your best recollection of what transpired in those discussions?

A The principal point in my recollection was that it confirmed that we would not use North's boat from what detail [redacted] got. And again, I am sorry, but I haven't seen that [redacted] memo.

MR. PEARLINE: You may want to wait until he has a chance to refresh his memory.

MR. KERR: We will come back to that and you will get an opportunity to refresh your recollection. With regard to the vessel Erria, [redacted] did there come another time when the Erria came to your attention as a matter that would be of concern to the N.E. Division?

THE WITNESS: I don't recall that the name of that boat was used but there was very late in this, in October, when the new ~~Chairman~~ channel was offering up a P-72 tank to be picked up in Bandar Abas, I recall some discussion by North that he would use his boat, again, name unstated -- I don't know if it is that one or another one, to go from the Mediterranean, deliver some million supplies, and then he would come back out.

BY MR. KERR:

Q Do you recollect any discussion at that time of a rental fee to be paid by the agency for the use of the good ship Erria?

A No.

Q Inbetween April and October of 1986, you have no recollection of having any other knowledge of agency

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involvement with the ship Erria; is that correct?

A That is correct.

Q You had no knowledge of the purchase in late August 1986 of $2.1 million worth of ammunition and arms aboard the vessel by the CIA?

A No.

Q You had no knowledge that those goods were owned by General Secord and his partner, Mr. Hakim?

A No.

Q You had no involvement in the decision by the agency to purchase those goods in August 1986, is that correct?

A What you are telling me is the first I have heard of this, sir.

Q With regard to the April discussions about the Erria you were aware of the rental that Colonel North was requesting to be paid; is that correct -- Mr. Olmstead, I am sorry.

A Yes. I don't remember Mr. Olmstead saying that, but I do recall North talking about there would be expenses. And that the agency would have to pay the expenses of that boat for that period of time we used it.

Q Did it ever come to your attention the rental per month or the rental for six months that the owners of the Erria had in mind that the agency pay them?

A I think North did give me a figure and it might have been a per month figure which I didn't -- we had already made the decision. In my mind I didn't want any part of it, but I recall the figure being pretty stiff [redacted]

If I were to suggest to you the figure of $200,000 per month or 1.2 million for six months rental, would that refresh your recollection?

A It does not, but I am sure that North did give me a figure.

Q Were you knowledgeable in April of 1986 of the price paid in April 1986 to acquire the Erria by the folks that Colonel North was working with?

A No.

Q He didn't discuss that with you?

A No.

Q So you were not aware that the price was only a couple hundred thousand dollars for the vessel itself?

A No.

Q [redacted] was the gentleman that you worked with at the outset and [redacted] worked with later on with regard to the logistic side; correct?

A Correct.

Q Your initial meeting with [redacted] on this transaction took place January 24 about a week after you were introduced to the finding?

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A That is about right.

Q Do you recall that your first meeting with him was at a meeting of [redacted] the Chief of [redacted] and [redacted] Chief of [redacted]

A I remember being introduced to [redacted] by [redacted] I don't remember who else was present.

Q Do you recall that you briefed [redacted] at such a meeting on what it was that you wished him to do?

A That would sound logical.

Q Do you recall that you told [redacted] what you believed to be the ball park figure at that time for the missiles on a per missile basis on January 24?

A 24 January?

Q Yes.

A Well, I would think it would have been the $6,000 per missile at that point.

Q Do you recall giving him that figure at your initial meeting with him?

A No.

Q Do you recall having such a figure at that time of $6,000 per missile?

A That was the initial figure that I had been given and in terms of time sequence, the second -- the lower figure came back to me from [redacted], so the 6,000 at the first meeti would make sense.

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Q Did you get that figure from General Russo?

A Yes.

Q And you got that figure by talking to Russo yourself?

A Yes.

Q Do you recall at the first meeting asking [redacted] whether or not the $6,000 figure struck him as being reasonable?

A No.

Q Do you recall suggesting to him that the price was too high?

A Well, I might well have done so if as I have said previously, North had reacted that it was too high, and I may well have, probably did ask him to discuss this with -- in his logistics channel.

Q Do you recall instructing [redacted] that he was to meet immediately with General Russo himself, immediately being that day?

A I think that is right. I think he did that at the end of the afternoon or even in the evening and that had been pre-arranged.

Q Do you recall that between the time he left the meeting with you and the time he met with General Russo you had a conversation with General Russo, a telephone conversation?

A Quite probably I did to confirm to him that [redacted]

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was coming. In fact, I recall noting to Russo that this -- I was sending to him a man who had previously worked for him in Army Logistics, because I didn't initially have that name. So what I was doing was giving Russo the name of who was coming.

end

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BY MR. EGGLESTON:

Q Do you know if you added up all the prices that were on the list that had been adjusted for non-FMS sales? Did you know what the price was going to add up to be?

A I am sorry. Would you repeat the question?

Q Do you know on the adjusted price list that the agency was in the process of preparing that if you added up all the prices that were on it that were relevant to this, what figure you would have come up with?

Would you have come up with $24 million?

A No, no. I don't remember having seen what they were coming up with, but I recall [redacted] telling me it was going to be something like maybe 20 percent over what the Iranians have.

I know there was -- we are talking about 6.5 and 20 percent above that? I don't recall seeing what it was we were talking about producing, but my recollection was that it was a rather small investment, 20, 25 percent more than that.

BY MR. KERR:

Q [redacted], I have lost something here. I take it the recipient [redacted] is saying, in essence, "I have been cheated," substantially.

If you all wanted to be straightforward and honest with him, why didn't you just tell him what you paid for the ~~wears~~ wares?

You knew what you paid, right?

A I am not sure I understand.

Q Why didn't you tell [redacted] what it was that the agency's price was? You knew what that price was.

A Why would I do that?

Q If [redacted] problem is he doesn't understand why he has such a bad price and if you all want to be honest folk, why didn't you tell him what the real price was?

A Well, because I wasn't in communication with [redacted]

Q You all went to a lot of difficulty coming up with a price list that didn't exist, a price list that was to be the adjusted price list.

The reason you did that, I take it, was because you wanted to give some measure of cover or credibility to whatever it was Mr. Ghorbanifar had done to [redacted] isn't that right?

A Yes, you know --

Q The question is why -- why would you do that? Why would you want to help out Mr. Ghorbanifar if he, in fact, perpetrated a sting?

A Well, I don't recall ever wanting to help

Mr. Ghorbanifar.

I do recall wanting to help Colonel North in the channel in helping to explain some of the other expenses which I didn't understand at all.

And it was Colonel North who was requesting this, and what I thought we were doing was helping decrease the difference between what Ghorbanifar was alleging, which was that the Iranians ordered him a whole bunch of money, and what the Iranians were alleging, which was Ghorbanifar ordered them a whole bunch of money.

So, I thought the quarrel was between those two parties and North was trying to make that less, and we were --

Q I am really curious what you thought it was North was trying to do.

Did North give you the request to come up with a different price list that could then be conveyed?

A No, he didn't.

Q Who did he give that request to?

A That request was given, as I recall, to [redacted]

Q Directly?

A I don't know whether it came from North or whether at that point it came from North's -- the other guy helping North on this, Bob Earl, because at that point a lot of the nitty-gritty on this was being done between

Earl and [redacted] So, one of those two, North or Earl, came to [redacted] with this request.

Q Directly, not by way of you. You gave them access to your subordinate, direct access?

A Right.

Q When [redacted] got this task, did he tell you what the task was?

A Yes.

Q Did he tell you what explanation had been given to him by North, Earl, or whomever else?

A Well, he is pretty thorough. I am sure he did.

Q What was his explanation?

A I don't remember.

Q I see.

A But as I did say, my recollection was that we were adding something like 20-25 percent on.

Q I am still having trouble with that. That is not 20-25 percent charged by anybody to anybody. That would be a totally phony number. Isn't that right?

A Yes, it is in addition to the charge that we charged to NSC. It still doesn't come close to explaining the whole --

Q Whether it comes close or not, that is a figure that never factored into the deal; isn't that right?

You didn't have any understanding that some charge had been made to somebody along the way based on what a non-FMS country would pay for it.

That was never part of the transaction, was it?

A Well, let me try this.

You got -- I have gone through this before, but in all of these transactions you have got several recipients, the Iran political [redacted] recipient among them.

Q Bear with me. I understand all the recipients and all the pieces.

A The Israelis, Secord, so on.

Q What I don't understand is what the Central Intelligence Agency of the United States is doing trying to generate a cover story, be it a 15 percent, 20 percent, or 200 percent, to help out one of these middlemen who had gotten caught by his customer.

I don't understand what you all were doing that for.

A Well, you see, you are using words that are -- I understand the words, but that wasn't the context that we were working in.

You used the word "cover story." There was never a point --

Q [redacted] --

A We understood that that was to be a cover story for Ghorbanifar.

Q [redacted] had a request from Mr. North to come up with a story on how one could inflate the prices that the agency had actually paid for these weapons.

A No, it wasn't a story. It was a pricing list which was in excess of the pricing list which the Iranians had.

Q True, but for a transaction that had not taken place. Assuming [redacted] had come up with such a list, it would be for a transaction completely different from what the transaction was you all had done; isn't that right?

It would be a pricing list for a sale to a non-FMS nation; isn't that right?

A Yes.

Q That was not the transaction you engaged in here, was it?

A Yes, that is right.

Q All right.

So you are dealing with a story, something that has nothing to do with the reality of the sale taking place. Isn't that right?

A No. I think it does have to do with the -- I am sorry, but you see, what you are trying to get me to say is that we knowingly were helping Ghorbanifar, and I am saying --

Q I don't say that -- I wouldn't take it that far, that you were knowingly helping North to come up with a story that had plausible deniability that he could then use to assist whoever he cared to assist.

A That is correct.

Q That is what you were doing; isn't that right?

A That is right. We were trying to help Colonel North, no question about it.

MR. KERR: Okay. Thank you.

BY MR. EGGLESTON:

Q What is the reason you were trying to help Colonel North?

A He -- this is hard to answer, because we all know what Colonel North was doing now.

Q Right.

A We know that. We didn't know that at the time, as I have said repeatedly.

The reason we were trying to help Colonel North is because there is so much anguish in this channel, and North is desperately trying to stop these parties from warring so he can get on with a July -- what turned out to be a July hostage release.

He is trying to make the mechanism work. He comes to us with a request to provide a, quote, "non-FMS -- that was the description -- non-FMS price list, and we responded to his request.

BY MR. KERR:

Q Let me interrupt again.

I am a simpleminded country boy from Baltimore, and the way you all work where you get from point A to B by going around the world confuses me.

But it seems to me that if you all had a problem with the customer being charged too much, that the simple way to deal with it is tell the guy that took the money to give it back.

Did anybody suggest to Colonel North and find out what would happen if that request was made? Colonel North, go to Ghorbanifar and tell him to give the money back.

Did anybody suggest that to him?

A I think I agree that you are a simpleminded country boy from Baltimore, because you don't do it that way.

Q Obviously, obviously.

A Just never happens. It isn't going to work. It isn't going to help.

Q Why not? Why not? Because you know Colonel North was using that money in Central America?

MR. MOFFETT: Wait a second. Could you just ask simple questions to the witness, please, and not make any implications.

MR. PEARLINE: We have denied repeatedly that we had knowledge that the money was being used for Central America.

MR. KERR: And we have repeated evidence that Ghorbanifar told you that that is what he had in mind, which you also denied.

MR. MOFFETT: Wait a minute, wait a minute. That is not --

MR. PEARLINE: He never said that. He was told that for the record. I think it is unfair to make those allegations which he has denied in sworn testimony.

MR. KERR: That is [redacted] position. That is right.

MR. PEARLINE: It doesn't do any good to repeat -- you may have a difference of opinion, but I mean he is on the record with respect to that.

MR. KERR: That is true.

MS. DORNAN: Perhaps I can interject.

BY MS. DORNAN:

Q Again, we are confused on the dates. You are referring to this before the July hostage release and [redacted] doing it.

But a[illegible] whether [redacted] came on that early.

But I would add that when [redacted] was interviewed he viewed it as justifying the price. He phrased it in those terms as trying in some way -- he didn't mention FMS, but he did say he was trying to justify the price somehow.

He said it was possible to do that with TOWs, but a big problem was the Hawks. There was no way we could get up the price high enough on the Hawks to make it appear credible.

A Yes.

Q So, he was trying to justify the price.

My question really is, didn't you wonder since he was trying to justify this to [redacted] and you knew part of the problem might be that there was a rake-off in Tehran, but [redacted] would know what the rake-off was in Tehran.

So, he still --

A Yes, that is right.

Q So, he still got a major mark-up in addition to the rake-off.

A That is correct.

Q So, didn't that lead you to wonder who is raking it off -- is it North, is it the Israelias, is it Secord?

At this point, you are trying to justify that rake-off for somebody else. Didn't that lead you to wonder who it was and what it was for?

A No, I am a simple country boy from Iowa, and it never occurred to me--sorry -- that North was raking it off. That was beyond the Pale.

Q Didn't you wonder about the legitimacy of justifying this when you knew it wasn't the Iranians raking it off?

A No. You can say I wasn't paying attention and should have thought that, but I -- in the timing of this, fiche thing, it was handled by [redacted] whenever it was, so that has got to be July, doesn't it?

MR. KERR: No, not until after mid-August.

THE WITNESS: Mid-August.

MR. KERR: If he is telling the truth.

THE WITNESS: Well, he is telling the truth, which means that we did nothing on the fiche until he came on in mid-August.

BY MR. EGGLESTON:

Q You don't recollect anyone else working on it before [redacted] on the fiche?

A No.

BY MS. DORNAN:

Q Another reason why the date is important is that if it was in the August time frame by that time you were on the second channel. And you were trying to get rid of Ghorbanifar gracefully, you know, trying to resolve this pricing dispute and get rid of him so he doesn't spoil the second channel.

That is when, before that, you might have had a different motive. So, the timing is important.

A The new channel was looking like it might do something by late August. The first meeting was early September.

Q So, that was before July.

A Yes, that is right.

BY MR. EGGLESTON:

Q You would have still maintained your concern about the Ghorbanifar situation.

A Sorry?

Q You are not wanting to totally alienate Ghorbanifar either, even into the fall, as I understand it, from the memoranda.

A That was clear when we got involved in all the Furmark business that we had all this anguish and that was -- that anguish was there before the Furmark thing started up. It was important not to have Ghorbanifar so angry that he would go public.

Q When did the second channel actually start getting underway, do you know?

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A Well, I think you have the meeting dates as 19-20 September. That was the first meeting of the new channel. And I would have said there would be -- there was a prior meeting that Cave went to in Europe in early September, so I guess late August, first week in September.

Q Did you understand that that was the channel developed by Secord and Hakim?

A Yes.

Q All right.

A By Hakim -- I am not sure I --

Q By Hakim.

A Definitely Hakim was putting it together.

Q Did you know how Hakim was able to put that together?

A Yes, we had the details on that. I think we have turned those all over to you. I don't know the details of who Hakim went to first, but we have the names of the people involved and who he talked to and who was involved.

Q Let me just ask you during this time period now, through the second, through the TOW deal which takes place in late October and early November that leads to the release of hostage Jacobsen, are you still the person who is principally in charge of this operation at the agency?

A This is July of --

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Q Where the -- of 1986.

A 1986. No, I am not. I am still the person who is principally in charge of assisting North, but there comes a point there where the hostage responsibility has moved over to Dewey Clarridge so there is sort of a split area of responsibility there. He is in charge of arranging hostage release and making all the arrangements for handling them immediately after and the interagency mechanism for doing that and making the arrangements for what you do with the hostage in Beirut to make sure he gets out alive, if, indeed, he turns up in Beirut, and you recall that I think both the previous ones had turned up in Damascus, both of the previous ones being Levine, the guy who escaped, and Weir.

So, we had -- there is a dual -- a split responsibility between Clarridge and myself.

Q At what point does that arise? At what point does Clarridge become principally involved or heavily involved?

A There was -- [redacted] was formed in February of 1986, and the hostage responsibility moved over to them two or three months later, so something like May.

I recall briefing Dewey in detail about the May meeting in Tehran, because he had to know about that, his new responsibilities.

Q Was he involved prior to the May trip to Tehran?

A Well, he may have, because once he got into the [redacted] thing, he was working on terrorists, which immediately puts him into the middle of Beirut and hostages.

So, there was almost from the first day, there was a dispute over -- this is a fairly painful dispute -- over a three-month period who would retain the hostage responsibility [redacted]

Q One or two more things, if I may.

I would like to pick up now with the conversations and revelations made by Furmark, first directed to the director and then later involving other people.

I believe the first meeting with the director is around 7 of October, in the director's own memorandum, I believe.

How soon after that were you aware that the director had spoken with Furmark about this issue?

A I went through that with the SSCI and had a fair amount of difficulty recalling when I first learned of that Furmark memo. I went on a trip with Mr. Gates the second half of October [redacted] and we were gone for two weeks, and I think I saw the first Furmark memo before I went on that trip, as I recall.

Now, Cave went up to see Furmark for the second memo -- do you have those there?

Q I have a memorandum that was drafted, I think, by Charlie Allen where Charlie and George went up.

A What is the date on that?

Q The date of the meeting is the 22nd. The memo was undated.

A Well, I was gone from roughly the 15th or the 13th to the 30th, 29 or 30th. The first memo I think I saw before I went on the trip, like the day before, and I was confused on these memos during when I was talking to the SSCI, and I think I saw these two well into November when I came back.

Q There is another one that Charlie Allen drafted which was --

A That is the third one?

Q Which related to a meeting. This is a previous one, previous to the one I gave you which related to a meeting he had apparently alone with Furmark.

A This is the first of the three?

MR. KERR: The first is a very short memo by Director Casey.

THE WITNESS: I am talking about the three Charlie Allen memos, his 14 October meeting.

MR. KERR: The first Allen contact I know of is October 16.

THE WITNESS: Fourteen.

MR. KERR: Okay. This says 14.

BY MR. EGGLESTON:

Q He has a memo of the 14th setting forth his concerns. His first contact with Furmark is the 16th.

A Sorry, I think you are right.

Q But Charlie Allen comes out with a memo expressing concerns before he ever talks to Furmark.

MR. KERR: The first actual communication between Furmark and Allen that he admitted to me so far is on the 16th of October.

THE WITNESS: Then if that is the case, then the memo that I vaguely recall seeing before I went on the trip had to have been Charlie's memo of concern.

MR. KERR: Right.

MR. PEARLINE: That is right.

THE WITNESS: Not the Furmark memo, because I had already left Washington.

BY MR. KERR:

Q The colonel's memo is dated October 14. You would have received that at or about the time that you left. Is that what you are saying?

A Yes.

Well, his memo dated the 14th I could conceivably have seen before I left town.

Q You would not have seen any additional memorandum until mid-November; is that correct?

A Until I came back, which was the end of ~~November~~ October. I came back on Halloween, the 30th of October, and my recollection -- I must have seen those within a week. I don't recall that I saw them immediately. It didn't come to my attention immediately when I came back, as I remembered wondering why it didn't.

Q So you think it was some period of time after you got back before you saw the other memos?

A A week, ten days.

Q After seeing the memo of the 14th before you left on the trip, what reaction did you have to it?

As I recall, the memorandum -- I believe that is Charlie's memorandum that expressed great concern about the security and what Ghorbanifar might do and how to try to -- that it was entering a crisis period.

MR. EGGLESTON: He is certainly concerned. Let me show you that this is the memorandum. Mr. Kerr just gave it to me.

THE WITNESS: I was at this point a day or two before I went on my trip consulted with Clair George on how to handle this channel in my absence.

I had a new deputy who had not been there very long and had a lot to learn, and I recommended to Clair that I turn over the -- during my absence anything having to do with the North effort, be handled by Dewey Clarridge, and North was notified by me that Dewey would handle any problems or any questions he had in the following two weeks.

I can't swear that this is something that I saw before the trip, but I do have a recollection of seeing something important, a good memo done by Allen before I went on that trip.

BY MR. KERR:

Q We have a note from Director Casey's diary on October 14, 1986, you met with Director Casey and George Cave.

Do you recall meeting with them?

A Both George Cave and Casey?

Q That is what the note says. Unfortunately, it doesn't say what it is about. I was curious whether it was about this material.

A Well, it should have been if it was George Cave, and George met with him a couple of times, with Charlie Allen and he.

Q If you don't recall, maybe you don't.

A I was frantically busy that sort of 13 through 15, studying for the trip, but I wasn't doing much else except getting ready for the trip with Gates. I don't remember a 14 October meeting.

Q You don't remember --

A If it is in his calendar, it should mean that I was there.

Q Do you remember a meeting with Casey during the day or two days before you left on your trip with Gates on whatever subject?

A No.

Q You do not.

A No. Immediately after I came back, I started having a series of meetings with Casey, because he wanted to take a trip, and I was going to have to go with him on his trip, and it was during one of those meetings, as I testified to, the SSCI that he showed me, one of the Furmark memos.

BY MR. EGGLESTON:

Q When you returned from the trip, is the first that you had learned of these memorandum when you read them?

Let me ask that a slightly different way. Is the first that you had learned about this problem which potentially involved diversion of these monies to Central America -- did you learn about that first through reading these memoranda or did you have a conversation with anyone?

A I think [redacted] brought me a copy of one of them -- no, I can not recall whether -- see, Casey showed me one of them, and I don't remember which one it is now that has the first one, I believe, that has the mention in it of the possibility of --

Q The one that relates to the meeting that Cave and Allen had on the 22nd --

A Which one of the Furmark memos is the one that has something in it on Central America?

Q Central America?

MR. KERR: Both of them. Both of them do, but this is probably the one that is more specific.

THE WITNESS: I am sorry. I am fuzzy on this, but Director Casey showed me one that I had not previously seen.

In addition, I distinctly remember [redacted] showing me one which he had acquired from Charlie Allen.

BY MR. EGGLESTON:

Q Which of those events occurred first?

A I don't know.

Q Do you remember what conversation you had with Casey when he showed you the one -- I take it by "the one" I take it the one referring to the possibility of a diversion of monies to Central America?

A Yes.

Q What conversations did you have with Mr. Casey on that issue when it came up?

A Well, it was pretty brief, because it came at the tail end of -- again, this is in the SSCI testimony -- came at the tail end of a meeting that I was having with him on the trip, his forthcoming trip [redacted]

As we sort of wrapped that subject up, he handed me this and said -- or one of these -- and said, "Have you seen this before?"

So, I read it, and I said, "No, sir, I have not."

I think that was the end of the conversation. He may have said, "Are you as concerned as Charlie is on it?" And I would have said, "Yes, indeed."

But it was -- he gave me a copy, and I took that copy with me. But I don't recall any more conversations about the substance.

Q This must have -- what was your reaction when you read this?

A My reaction was that [illegible] allegation were true that that was really going to be messy, that that was dynamite.

Q As of this point in your knowledge of these events, did you have a sense about whether or not you thought this was true?

A I would say that my -- by the time I had seen two of these, that however much I thought or how little I thought of Ghorbanifar that coming from businessman Furmark it was conceivably true, quite possible.

Q And without elaboration, by this time there were warning signals over the course of the spring and summer and into the fall that this might well have been true because of the external circumstances would seem to be to me fairly overwhelming.

You know that North is involved in Central America, you know he is involved with Secord, you know he is involved with Hakim, you know there is this massive price differential that certainly is available for diversion, you know that there has been an entire funding mechanism which results in the agency not really knowing how much money the Iranians are paying for these goods.

It would strike me that by this time you would shake your head and say, yes, yes, I figured something like this was going to occur.

A Well, I would have to confess that I am probably not quite that smart.

Q Well, I --

A Because I don't think I put all those pieces together very quickly. You can say that on the one hand, but at the same time it seemed to me inconceivable that North would do that.

Q But let me ask you about that issue.

By this time the newspaper stories that Colonel North was involved in something -- I don't mean they were confirmed -- but the newspaper stories that Colonel North was involved in something probably illegal in Central America were pretty much legion; were they not?

A Yes, and I would say I might have had some sense there was some private financing that North was working on, that whatever he was doing out there he had to be getting -- I recall -- you see, there was a hostage thing in which he was talking, and we were working in one direction and this had to do with [redacted] He was working in one direction, and we were essentially working on a different scenario.

He was very impatient, and what we wanted to do was arrange a flash roll, meaning a role of money that you flash at the person you are working with, and he was going to get that flash roll from a private source, by the time those newspaper articles were appearing, and as I recall, mag25

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that was the summer.

Q I think there were a raft of them in the summer.

A It confused me that the U.S. Congress was not insisting on seeing Colonel North, frankly.

MR. KERR: You mean call for him and have the NSC claim executive privilege?

BY MR. EGGLESTON:

Q Do you know whether they did?

A No, I don't.

I heard at one point that he was going to go down, and there was some formula worked out where he was going down, but it was going to be an informal something, not akin to testimony.

end mag

But I don't remember exactly, but I would have to say that by that time, when those newspaper stories were out, I had to have known that there was a lot of private financing North was arranging.

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Q Do you recall the conversation with General Russo, having discussions with Russo giving facts to Russo that caused Russo to lower the price at that time on the per missile basis?

A I am sorry would you repeat the question?

Q The telephone conversation you had between your meeting with [redacted] and a meeting with General Russo on the 24th of January, do you recall in that conversation with General Russo saying things to General Russo that caused General Russo to lower the per missile price that would be charged for these missiles?

A I have testified that we did tell Russo and I don't recall whether I told Russo personally -- I think maybe I did -- that we didn't need top line current TOWs.

I don't recall other points that I made to Russo that might have caused him to, but I think we did either through [redacted] or myself or more probably, probably both did cause him to lower the price.

Q [redacted] bear with me. I want you to focus on these questions very precisely. If you don't recall a conversation with General Russo, you would be better off if you tell me you don't recall.

A I am answering that way because you are using words that characterize what was happening as different from what my testimony is. I am not going to permit you to characterize my statements as something that is -- puts it in a different context.

Q I am asking a leading question which if they are wrong just tell me they are not correct.

A Fine.

Q We can get through faster. What I want to know [illegible] right now is whether or not you recall what you told General Russo on the afternoon of the 24th of January about the missiles.

A I recall nothing more than I have already told you.

Q Do you recall discussing with him that you wanted only basic TOW missiles?

A That is quite possible ~~the~~ a part of what I have already said.

Q Do you recall discussing with General Russo the reason you wanted only basic TOW missiles because that would reduce the price of $6,000 per missile down to something like $3,000, and change per missile?

A No, I wouldn't because I would not have known any such prices.

Q Okay.

A No way that I would know that.

Q You don't recall discussing with General Russo that there was such a price discrepancy and you wanted the General to find missiles that would come in at a price of approximately half of what --

A No, I did not.

Q Do you recall discussing with him the missiles that fell in that category, the basic TOW missiles or missiles that were obsolete in the U.S. inventory?

A Well, that fits in with what I have testified Colonel North --

Q I am not asking you what fits into your testimony. I want your recollection.

A Well, sorry.

MR. MOFFETT: Could you rephrase that question, then, please?

MR. KERR: Sure.

BY MR. KERR:

Q Do you recall -- let me switch the question a bit -- as to the missiles that you and the General were talking about on that afternoon of January, do you recall that they were obsolete missiles?

A I have stated previously that the missiles that were needed did not have to be top line missiles. They could be the oldest thing available in the Army warehouses.

Q Do you recall --

A If that -- if the precise word used by Russo is "obsolete," that fits with what I have previously said.

Q And that is your current recollection?

A Pardon?

Q Your recollection has not changed.

A That is my current recollection.

MR. PEARLINE: He just gave you his recollection.

MR. KERR: The problem is the way you couch the answer you are telling me you testified to this previously.

THE WITNESS: That is still my testimony.

MR. PEARLINE: He is saying that is still his testimony.

BY MR. KERR:

Q In terms of the missiles you were talking to General Russo about, did he tell you they were cold end missiles, missiles that could not be used by the United States except in the direst of circumstances.

A No.

Q Did he tell you these were missiles that couldn't be shipped out of the United States until they had been modified with some hand types of modifications; that you have to set up an assembly line to make these missiles shipable?

A No.

Q Do you recall discussing with him in that initial conversation that that would make these missiles difficult to price, the need to do hands on work on these obsolete missiles?

A The first I ever heard of that was when the Army IG was asking me about it. I am quite positive that I have never had that discussion with Russo.

Q And to sum up on that initial go-around, you don't recall telling General Russo, "I need to get the price of the missiles down below $6,000. I need to reduce the per missile price of the missiles."

A Yes, I have testified to that today.

Q I missed something then.

Were you interested in reducing the price of the missiles?

A Colonel North told me that we didn't need top line missiles and that if $6,000 was the price Russo was charging, that he was asking for replacement value of current TOWs and that he wanted lesser missiles, older missiles, obsolete.

Q i.e., less expensive missiles? You understood that to be the import of what he was telling you?

A Yes.

Q So Colonel North was concerned about the price of these missiles and wanted less expensive missiles, isn't that right?

A I think that is right.

Q That is what you conveyed to General Russo; isn't that correct?

A That is correct.

Q Thank you.

Let me go to the Hawk Missile parts. You recollect, do you not, that [redacted] was assigned the responsibility of trying to attempt to price the Hawk missiles parts; isn't that correct?

A [redacted] was -- excuse me -- Is it still [redacted] at this point?

Q I am only asking your recollection. [redacted] testifies that that is what he was doing. Do you recall him doing that?

A Okay. Somebody did it. I am sorry. I am just trying to think whether it was still [redacted] or his replacement.

MR. PEARLINE: Do you want an explanation?

MR. KERR: Let me ask this question.

BY MR. KERR:

Q Do you recall in late March or early May -- early April -- losing my mind here -- late March, early April giving [redacted] a task to find a price of Hawk Missile parts?

A No, I don't, but that fits in terms of the timing. And [redacted] -- I might have given that to [redacted] as the channel to [redacted]

Q That is my next question. In terms of [redacted] working with [redacted] on pricing of Hawk missile parts, would you have suggested that [redacted] be used once again? Would that be a suggestion you would have made?

A No, no, [redacted] -- I don't quite know why I talked to [redacted] about them because we had the channel set up and I was already dealing with -- or rather [redacted] was dealing mostly with directly with [redacted]. I would have thought we would have gone directly to [redacted].

Q Maybe I --

A He is the natural mechanism.

Q When you got the list of Hawk parts which would have happened March 7 or thereabouts, right?

A Yes.

Q At some point thereafter you wanted to determine what the cost of those parts would be, isn't that correct?

A Yes, we had to do several things. We had to determine which ones were available in the warehouses.

Q In some cases you had to figure out what parts they were because they were not giving you numbers that were easily called up, isn't that right?

A Yes, and we had to figure out what those numbers were and third was prices.

Q That is not the kind of thing [redacted] is expert in at all, is it?

A Not at all.

Q Did you call [redacted] to tell him to work with [redacted] to do those tasks that you just identified?

A Well, I am confused on that because you tell me [redacted] was involved. I don't know whether [redacted] --

Q Let's make it an open question. Do you remember how it was this task got accomplished? You have the list. You have a number of things that have to be done with it. How did you go about doing it?

A I think I gave it to [redacted].

Q And he was to take it from there?

A Yes, right.

Q With regard to getting a price, do you recall giving any instruction to [redacted] that the CIA was going to try to price these parts internally without contacting the Army before it made a decision on contacting the Army?

A I don't recall that.

Q So you don't recall any instruction being given, then, by you to [redacted] to try to price these parts using microfiche that was available to him and not to go specifically not to go to Major Simpson or DOD?

A No, I don't remember that.

Q With regard to pricing the parts, you do recall that there was difficulty in finding all of the parts on the list, isn't that right?

A Yes.

Q You recall, do you not, that there was a need on some occasions to come up with substitute parts that would be more expensive than the parts for which the substitution ~~institution~~ was being made; isn't that correct?

A I am sorry. Say that again.

Q Sure. With regard to some of the parts that couldn't be found because of the market inventory, you recollect, do you now, that other parts, a generator, for example, as opposed to a part of a generator, was proposed to be substituted to fill that void.

Do you recall that?

A No, I don't. I do recall what I said before was that North came up with this hare ~~hair~~-brained idea to manufacture parts that weren't available. It seemed to me I was rather desperate to fill the whole order even though it was easily clarified that they were not all together.

Q Let me ask you this way: do you have a recollection as the effort was made to put together the budget, if you will, the cost of these parts, those costs began to climb as the parts had to be more expensive parts had to be substituted for the less expensive originals?

A No, I don't.

Q You don't recall that. Do you recall at any time having given an instruction to [redacted] that there was a cost ceiling that could not be breached by the process that you all were going through of trying to come up with parts to fill the list?

A Well, that rings a vague bell. I would have to think about that. Let me do that, and I will get back to you. I think there was mention of a budget, a ceiling and that would have been from North to me, which I might have passed on to [redacted]

Q You were aware that [redacted] in turn passed it on to [redacted] is that right?

A I would assume he would, yes. [redacted] was working with him.

Q And [redacted] had instructions that he could not bring on costs that would exceed a ceiling; isn't that right, and if you don't remember --

Mr. Moffett. Excuse me, point of clarification. If I understand, you have not definitively testified that you knew there was a ceiling. The question proceeded from there on the basis there was.

MR. KERR: That is right.

MR. MOFFETT: Just to clarify the record, I think [redacted] was going to get back on the issue as to whether there was ever a ceiling stated.

MR. KERR: That is right. I think that is the position he has taken. That is correct.

BY MR. KERR:

Q Do you have a recollection today without the availability of further documents, having had an opportunity with other people, about what conversations you had with Colonel North about this budget ceiling?

A No.

Q Do you have any recollection of any documents that would reflect the instruction or direction which you got from Colonel North on what the budget ceiling was on these parts?

A No, I do not.

MR. KERR: I have no further questions at this point, but I will want to revisit these points after [redacted] has had an opportunity to refresh his recollection.

MR. EGGLESTON: I am done. Thank you, [redacted]

(Whereupon, 7:00 p.m., the deposition was adjourned.)

CORRECTED

Deposition of Harold G. Cohen

UNITED STATES SENATE, Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

- - -

Oral deposition of HAROLD G. COHEN taken at Three Green~~way~~tree Centre, Suite 305, Route 73, Marlton, New Jersey, on Monday, June 1, 1987, at 10:00 o'clock, a.m., before Harold Schulman, a Registered Professional Reporter and Notary Public, by consent without ~~pursuant to~~ notice.

- - -

APPEARANCES:

CHARLES KERR, ESQUIRE
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Select Committee on Secret Military
Assistance to Iran and the Nicaraguan
Opposition.
901 Hart Senate Office Building
Washington, D.C. 20510

HAROLD G. COHEN, ESQ., having been duly sworn, was examined and testified as follows:

BY MR. KERR:

Q Could you state your full name for the record, please?

A Harold G. Cohen.

Q Mr. Cohen, I'm an attorney with the United States Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. I asked you to meet with us to today so we can take testimony with certain matters that have to do investigation..

You reside where, Mr. Cohen?

A [redacted]

Q What is your business address?

A Three Greentree Centre, Suite 305, Route 73, Marlton, New Jersey.

Q You are an attorney?

A That's correct.

Q You are a member of the New Jersey bar?

A Yes.

Q Any other bars?

A United States District Court, District of New Jersey, United States District Court, Eastern District of New York, and the United States Court of Appeals for the

Third Circuit.

Q You became a member of the New Jersey bar when, sir?

A November 1981. '71, excuse me.

Q You're a member of the firm of Goodman, Schneider and Cohen?

A That's correct.

Q Located at the address you just gave us?

A And at two other locations as well.

Q Could you give me a brief description of the nature of your practice?

A My personal practice?

Q Yes.

A Primarily banking, banking litigation, large loan workouts, creditors' rights, corporate commercial litigation, insolvency.

Q And with regard to the practice of your firm in general, does it have a particular area of expertise or is it basically a general practice?

A I would say we have three areas of expertise, plus what I do, which is in the litigation workout area, one partner and associate who does bank regulatory work and documentation of new product, bank product. Another partner who concentrates on energy cogeneration.

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Q Cogeneration, what is that, wind mills in the backyard that generate electricity?

A It used to be.

Q It used to be?

A It's buying, using one type of fuel for both heat and to generate electricity.

Q Let me just get your educational background as well. You received your law degree when?

A June 1971.

Q From what institution?

A Cornell Law School.

Q And your undergraduate degree?

A Lafayette College.

Q What year was that?

A 1968.

Q Do you know a gentleman by the name of Willard Zucker?

A I do.

Q How do you know Mr. Zucker?

A I met him in the context of representing a client.

Q And what client would that be, sir?

A The reason I'm pausing is I am trying to determine in my own mind how much of this information would be covered by attorney/client privilege. I think I might have expressed that to you over the telephone before today's session, or at least I expressed it to Mr. Faulkner.

Q I would hope the identity of the client would not cause concern. It's not my intention to go into attorney/client communications.

A This is two clients, Fourway Industries, Inc., and Jacob Farber.

Q You met Mr. Zucker in conjunction with your representation of Forway industries and/or Mr. Farber; is that correct?

A That's correct.

Q With regard to when you met Mr. Zucker or first had communication with Mr. Zucker, can you place that in time for me?

A In all likelihood it would have been sometime in the first half of 1986.

Q We have interviewed a gentlemen by the name of Gregory L. Zink of Fourway Industries. Do you know Mr. Zink?

A Yes, I do.

Q Mr. Zink in our interview indicated that Mr. Zucker's company, CSF, acquired an equity ownership in Fourway sometime in 1982. Would you have had any knowledge

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of or contact with Zucker at that time?

A I did not know Mr. Zucker in 1982.

Q So to the best of your recollection, the first contact you would have had with him would have been sometime early in 1986?

A During the first six months of 1986.

Q In what context did you first have contact with him? What caused you to be in touch with him?

A I think at this point I am starting to cross over the line into attorney/client relations. I think that it would be inappropriate for me to comment.

Q You had contact with him with regard to a business transaction that you were doing for a client; is that correct?

A That's correct. It was in the context of my representation of Forway and/or Jacob Farber.

Q In that regard, was Mr. Zucker a client of yours at that time?

A Mr. Zucker has never personally been a client of my law firm.

Q And his firm, CSF, has that firm ever been a client of your firm?

A No, it is not.

Q In terms of when you would have had face-to-face

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meetings with Mr. Zucker in 1986, can you place those in time for me?

A Again, Mr. Kerr, I don't want to be difficult. All of those conferences would have been in the context of attorney/client representation. I think it would be inappropriate for me to specifically identify dates or time frames when I would have met with him.

Q My interest is not in attorney/client communications, but when in time you would have had contact with this gentleman. You don't feel you could give me that information?

A Not the way you asked the question.

Q What I'm interested in is the occasions when you have met face-to-face with Mr. Zucker. I don't care for what purpose, but when you met face-to-face with him in 1986.

A Several times beginning in the first half and most likely concluding September or October of 1986.

Q Again, falling back on information that was given to us by Mr. Zink, Mr. Zink indicated that to his knowledge Mr. Zucker would have been in the Philadelphia - New Jersey area to meet with you and others with regard to Forway twice, once in June and once in late September. Does that correspond with your recollection as well?

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A I specifically recall meeting with Mr. Zucker in late September. I have recollection of meeting with him on other occasions prior to that time.

Q Your meetings with Zucker would have been in this area, or did you meet with him, this area being the Marlton area, or did you meet with him elsewhere?

A All the meetings were either in my office in Marlton or possibly at the F$\overset{u}{\text{o}}$rway factory in Woodbury. I can't specifically recall if I had any meetings in Woodbury, but it might be possible.

Q I'm not familiar with the geography. Where is Woodbury in relationship to Marlton?

A Woodbury is approximately twenty minutes south.

Q According to Mr. Zink, Mr. Zucker was in the Woodbury, New Jersey, area in connection with Forway business. On June second or third, he stayed at the Hershey Hotel in Philadelphia, met for the purpose of discussing some concerns Mr. Farber had about F$\overset{u}{\text{o}}$rway, and then Mr. Zucker left the Philadelphia area about the fifth of June of 1986.

Do you have any recollection of being involved with Mr. Zucker in the period June two through five, 1986?

A Off the top of my head, no.

Q I assume that with regard to your work, you keep daily time sheets?

A I ~~did~~ do.

Q And work that you would have done either for Mr. Farber or for Fourway, you would have kept daily time records on?

A Yes.

Q Is it your custom to note on those time records the people that you meet with when you're working on behalf of a client?

A Generally.

Q Have you had the opportunity to look at your time records for early June 1986 to see if they contain any reference to any meeting with Mr. Zucker?

A In response to, as a request made either by you or Mr. Faulkner or Arthur Liman, I went through my 1986 time records looking only at Saturdays to determine if there was a particular Saturday that I attended a meeting which Mr. Zucker also attended. So that if I could locate such a Saturday reference, it would refresh my recollection as to certain other related events. That is the only part of my time records that I went through, which was for a very limited purpose.

Q So I understand, you did not encounter a Saturday in June that met those criteria; is that correct?

A That is correct. So that I did not look for all other days, you know . . .

Q I understand.

A . . . when I attended a meeting which Mr. Zucker also attended.

Q Am I correct that you did not also locate a Saturday in June when you actually were meeting with Zucker, whether it was rainy, or there was other business involved. You didn't see any other Saturday in June when you were meeting for Mr. Zucker; is that correct?

A That is correct.

Q Is there anyone else in your firm who has worked with you on Porway or Farber matters? And specifically in 1986.

A Yes, but on rather pedestrian matters.

Q Do you recall any occasion when this person would have actually had face-to-face contact or telephone contact with Zucker?

A There would have been no reason for anyone else in the firm to have had contact with Mr. Zucker.

Q And to your knowledge no one else has; is that correct?

A That's correct. Except perhaps my secretary in

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scheduling a meeting or making some accommodations arrangements for him.

Q Let me take you to September of 1986. Did you in your review of your time records find any notation for a Saturday in September of 1986 when you would have met with Mr. Zucker?

A Yes.

Q What do your time records show in that regard?

A It reflected that it was a meeting in this office on September twenty-seventh of 1986 which Mr. Zucker attended.

Q With regard to that meeting in September, you indicated to Mr. Faulkner when he talked to you on the telephone that you recalled a conversation with Mr. Zucker relating to that Saturday and to a visit that Zucker apparently had with someone who was coming up from Washington, D. C. Could you relate for me your best recollection of that conversation with Zucker?

A I believe it was in the context of scheduling that particular meeting, and Mr. Zucker indicated that he was going to need to meet with someone unrelated to any of the business that I was involved with. This individual would be coming, was coming to this area from the Washington area, and he asked if there was a location in this vicinity that would be convenient for him to have a very short meeting.

Q Let me stop you for a moment. Did he give you any further identification of that person as to sex, any other description?

A At some point, I don't recall whether it was in that scheduling telephone conversation or ~~telephone call~~ on the day he arrived here, whether -- at some point he indicated it was a woman whom he would be meeting.

Q As I understand, he was meeting with a woman who was coming from Washington, D. C.; is that correct?

A I believe she was coming from Washington.

Q And this meeting was to take place on the twenty-seventh of September?

A Yes.

Q Could you give me anything else that you recall about that conversation?

A Other than, I believe I offered to accommodate him by having, allowing him to use one of my offices here, which he thanked me for ~~again and again~~ and declined. He asked me if there were some other places that would be better suited. I then suggested a few hotels or restaurants, I think, in the area because it was supposed to be an early morning meeting and a place to get a cup of coffee and have a

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discussion. He indicated it would be a very brief meeting, and it should not interfere at all with the meeting we had scheduled for that day.

Q I'm trying to place this telephone conversation period. Was the period before that Saturday, I take it?

A That's correct.

Q Can you recollect any better than that when it was that you had this conversation with him?

A No.

Q And this was a telephone conversation as opposed to a face-to-face meeting?

A I believe it was a telephone call when we were scheduling the Saturday meeting.

Q Did there ever come a time when you learned from Mr. Zucker whether or not this meeting actually took place?

A Only from comments that he made on that Saturday that he had met with someone.

Q Let me take you to that Saturday. You had a recollection of that Saturday when you talked with our investigator with regard to the weather. Can you recall the weather that day?

A Yes. In fact that was the only way that I was really able to identify when this event took place, because I did not independently recall the date other than it was on a Saturday in 1986 and that the weather was nasty.

Q You used the term "nasty". What are you describing?

A Overcast, perhaps some intermittent drizzle or rain, cool.

Q Your time records indicate that you did, in fact, meet with Zucker that Saturday.

A September twenty-seventh.

Q Right. Do they indicate when that meeting would have been taking place?

A Not precisely, other than the fact that there were, the work that I did that day was all for one client, and the work description includes the meetings and some related work that would consume virtually the entire day.

Q What is your best recollection of when you actually saw Zucker on that Saturday, what time of day?

A I have a fair but not precise recollection that he arrived late morning, left for a while to have this meeting, and then returned early afternoon.

Q Your answer a few moments ago suggested that he may have said something during the course of that Saturday indicating that he was in fact having a meeting or had a

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meeting. Can you relate to me your best recollection of what Zucker might have said in that regard on that Saturday?

A I believe that he arrived here in the morning. He mentioned then that he had to break away for a short period to meet with this woman and that he would be back. It should not take very long. I think for all intents and purposes that's it.

Q Did he say anything on his return about the meeting, about the woman?

A No.

Q Was there anyone else present on that Saturday that was engaged in the business you and Mr. Zucker were engaged in that would have heard any of this conversation?

A To the best of my recollection, there were three other people present that day. Not necessarily continuously. One would have been Jacob Farber. One would have been his son-in-law, Richard Horowitz.

Q Richard Horowitz?

A Yes. And my secretary, Marjorie Kirkpatrick.

Q With regard to Mr. Farber, Mr. Horowitz and Ms. Fitzpatrick, have you had occasion to talk with any of them about any recollection they might have had about what they may have heard on Saturday, September twenty-seventh,

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1986?

A Other than asking my secretary to go through my time records, no.

Q Did she indicate any recollection that she would have of this incident?

A I think her recollection was relatively consistent with mine, namely that he came here, left for a while and then returned.

Q Do you either on your own account or by virtue of talking with her have any recollection of what restaurant or other place Zucker might have said that this meeting took place?

A Again, I have a fair but not a precise recollection that it may have taken place at the Philadelphia Airport.

Q Again, because of my lack of familiarity with the geography, how far are we from the Philadelphia Airport?

A Without traffic, midday, say on a Saturday, which I assume is what we're talking about?

Q Right, that's what we're talking about.

A Twenty minutes, no longer than a half hour. Probably twenty minutes.

Q With regard to your recollection of that morning's events, would the time from Zucker's departure to Zucker's return on that Saturday have been sufficient to have allowed a trip to the airport and back and for a meeting of some kind?

A Depending upon the length of the meeting. If it was a brief one, it certainly would have allowed for that.

Q He told you that he was going to the airport or is that just your best surmise based on what you're trying to recall?

A The only reason that I would have even mentioned the airport is that I believe he may have mentioned it. But again, I can say it's in my mind. I assume it's there because subconsciously it may have been a reference to it by him.

Q Did it ever come to your attention that this woman was staying overnight in the Philadelphia area?

A I don't believe so, no.

Q Do you have any recall from any source, from any conversation you had with anybody, of any more identifiers for this woman, who she was, why she was here, what her role in life is?

A I believe Zucker mentioned, perhaps it was that Saturday, perhaps it was in the original telephone call, but more likely that Saturday, that he was going to be discussing an investment with her, or whether he was handling an investment for her.

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Q Anything more on that score that you can recollect?
A No.
Q The nature of the investment, whether she was a client or not, anything of that kind?
A Other than that he apparently was going to be discussing an investment for her with her. I sensed that it was she who was going to be making an investment in something that he knew about.
Q In terms of Zucker himself and what role he was playing in dealing with you, was he dealing with you as a lawyer, as an investor, as a businessman?
A Yes.
Q All of the above?
A And as a, to take it further, as a principal of Forway.
Q With regard to the nature of his business in Switzerland, are you familiar with what his business is?
A In a vague way.
Q What is your understanding of the nature of his business in Switzerland?
A He provides investment counseling, investment management for various individuals.
Q If I understand you correctly, the only occasion you had to talk to Mr. Zucker about this woman was the

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conversations that you described previously in your testimony; is that right?

A That's correct, telephone call~~ing~~ scheduling that Saturday, September twenty-seventh, meeting and whatever ancillary conversations that may have taken place on that particular Saturday as he was leaving or returning.

Q You had no occasion to talk to him about this matter at any time in the last several months?

A That's correct. It was terribly incidental to everything else that we were doing.

Q Do you know a Charles Heusler of the Archer and Greiner firm?

A Yes.

Q Do you know Mr. Heusler?

A Yes, I have met Mr. Heusler. I know of Mr. Heusler. I don't believe I've ever had any matters directly involving Mr. Heusler.

Q Mr. Zink told us that Heusler was involved in the work that was done in September, October relating to the purchase of Mr. Farber's interest in Fourway, ~~As~~ as counsel for Zucker and Clark and the other purchasers~~,~~ ~~did~~ Did you have contact with Heusler in that capacity?

A No. I'm totally unaware of that. I was aware of an attorney from New York who was involved. But I had

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understood that Mr. Heusler and his firm was providing generally legal services for Fourway beginning sometime in 1976 -- 198~~7~~6, rather. But I'm not aware of any work that he did with respect to the acquisition of Jacob Farber's interest in Forway.

Q The reason I asked, I'm trying to find out other attorneys who might have been involved with Zucker with regard to the Forway matter in late September, early October 1986. Zink mentioned Heusler. He indicated that he thought that Heusler represented Zucker and Clark in this transaction. And if he did, I would have thought he might have been involved with you during that period of time. But you have no recollection of dealing with him in this matter?

A Absolutely none. As I said, the only other attorney I dealt with specifically on the buy out of Farber was an attorney from New York City.

Q Would that have been an attorney with the law firm of Patterson, Belknap, Webb and Tyler? And the attorney's name is Craig Bright.

A Yes.

Q You would have dealt with Bright during that period of time?

A Yes.

Q And Bright's client was whom? Was Zucker his client?

A I understood that Bright had generally been Alfred Clark's attorney, and that in this particular matter, I believe, Mr. Zucker was also getting the benefit of Mr. Bright's services. And I'm saying that carefully, because I'm not certain that Mr. Bright was actually representing Zucker. But I'm saying that I think the deal was structured in such a way that Zucker may have had the benefit of whatever work Bright was also doing.

Q The attorneys involved in these negotiations, to the best of your recollection, would be yourself on behalf of Mr. Farber, and Mr. Bright on behalf of at least one of the other parties?

A And Zucker, who is also an attorney.

Q And Zucker did appear to be acting in the role of attorney as well as business participant; is that your impression?

A There is a fine line, so that he was.

Q In terms of your representation of Fourway, have you continued to represent them since October of 1986?

A The answer is yes. I want to be careful how I modify it. I believe it has been, with respect to only one particular matter that had a secondary life that had

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been concluded pretty much before then and then was reborn recently. It has now been put to bed. I think it was for that one particular matter after September of 1986.

Q Do you have knowledge of what law firm, if any, has acted as, if you will, general counsel to F$\underset{\wedge}{\overset{u}{o}}$rway since October 1986?

A I was led to believe by the people at F$\underset{\wedge}{\overset{u}{o}}$rway that Archer and Greiner had succeeded my firm as counsel to F$\underset{\wedge}{\overset{u}{o}}$rway. When that began I'm not precisely certain. Whether or not it actually has served and to what degree it served as general counsel, I'm not aware.

Q Do you have any knowledge of a relationship between the Archer and Greiner firm and Clark or Zucker prior to the events of September, October '86?

A Assuming that F$\underset{\wedge}{\overset{u}{o}}$rway engaged Archer and Greiner as its counsel, either as general counsel or special counsel or on an ad hoc basis, before that engagement took place I don't think there was any relationship whatsoever between Clark and that law firm or Zucker and that law firm. And in fact, when F$\underset{\wedge}{\overset{u}{o}}$rway was looking for other counsel, Zucker asked me if I had heard of the firm and asked me for my comments on the firm.

Q That was my next question. Did Zucker have their name before he talked to you or did you refer him to them?

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A I believe the name had been given to him.

Q In terms of Mr. Zucker himself, you have had no further contact with him since October 1986; is that correct?

A To the best of my recollection, the last contact I had with Zucker would have been in October of 1986.

Q With regard to the publicity that is attached to Albert Hakim, General Secord, their interests, have you had occasion to talk with Mr. Zucker or anyone acting on behalf of Mr. Zucker about matters relating to Secord and Hakim since October of 1986?

A First of all, I assume you mean the publicity that has been appearing in the media with respect to your committee's hearings?

Q Correct.

A Other than discussing it as a newsworthy topic to colleagues, friends, et cetera, the answer to your question is no.

Q Nobody acting on behalf of Mr. Zucker has talked to you?

A That's right.

Q Let me turn to Albert Hakim. Do you know Mr. Hakim?

A I do not know him. I have heard of him.

Q Apart from what the newspapers have said of Mr. Hakim, in what context have you heard of Mr. Hakim?

A His name was mentioned to me, or came up in conversation with both Jacob Farber and Willard Zucker.

Q If I'm understanding you, you never had occasion to actually meet Hakim; is that right?

A That is correct.

Q You never had occasion to talk with Hakim on the telephone or communicate with him in writing, I take it?

A That is correct.

Q Hakim himself has never been a client of yours?

A That is correct.

Q In the fall of 1986, September or October of 1986, did you or your firm have any involvement in any business transaction between Po^{u}rway and Hakim?

A Not to my knowledge.

Q Mr. Zink has told us that Mr. Hakim, to his knowledge, was traveling with Mr. Zucker and was in this area of New Jersey in the period September twenty-one through approximately September twenty-three. During that period of time when Zucker was here in town, did you have knowledge that Mr. Hakim and perhaps Mrs. Hakim were here also?

A That's the first I've heard of that.

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Q Did you have any knowledge that Mr. Hakim was demonstrating a laser sight to Fourway in the period Sunday through Tuesday, September twenty-one through September twenty-three, 1986?

A No.

Q I take it you did not have occasion to go to dinner or meet with Mr. and Mrs. Hakim after business hours on Sunday, Monday, Tuesday, on September twenty-one, twenty-two or twenty-three?

A That's true. I never met Mr. or Mrs. Hakim. I don't even know if there was a Mrs. Hakim.

Q In terms of where Zucker was staying, do you recall where he was staying during that trip in September in this area?

A I thought, I believe he mentioned that he was staying at the residence of friends. The night before the September twenty-seventh meeting, I believe, I recollect he said he stayed with friends in the North Jersey or the New York City area. And I don't recall if he mentioned that subsequently he was going to be staying with friends in this area or if he was returning to the North Jersey and New York area to stay with friends. From what I understood, he quite often stayed at friends' residences, houses, apartments.

Q Did he ever identify to you who these folks might have been he was staying with?

A No.

Q Do you know from any other source who he might have been staying with during that period of time?

A I have a vague recollection of perhaps him providing me with a residential North Jersey telephone number where I could reach him. And I believe it was within that time frame.

Q Would you have documents that would still contain that telephone number at the present time?

A I haven't the slightest idea. I don't know whether it was just written down on a telephone message pad, that once it became superfluous I tossed it away or whether I had it in my notes of ongoing negotiations ~~instructions.~~

Q Let me make a request, if you could check what records you have to see if that telephone number is still extant, and we would like to have it.

With regard to locations where Mr. Zucker might have been, are you familiar with a hotel or motel known as the Gloucester Inn in Westville, New Jersey?

A I think I've seen advertisements in the newspaper for it. That's the extent of my familiarity.

Q Does the name Gloucester Inn give you any further refreshed recollection as to where Mr. Zucker might have stayed in the September twenty-one through twenty-seven period?

A No.

Q Where is Westville, New Jersey, from here?

A To be perfectly frank, I'm not certain. I've only been down here for a few years. I believe it is southwest.

Q You indicated you checked your time sheets and found the Saturday which was Saturday, September twenty-seventh. The information we have from Mr. Zink is that Zucker came in with Hakim on September twenty-one, 1986, which would be a Sunday; that he stayed in this area and did business with Fo$\overset{u}{\wedge}$rway from that period until approximately September twenty-third; that he then left, either late Tuesday the twenty-second or late Wednesday, the twenty-third, and did not return to this area until Saturday, September twenty-seventh. Would your time sheets indicate to you whether or not you were meeting with Zucker beginning on or about Sunday, September twenty-one?

A My time sheets would reflect meetings that I had with individuals. It would reflect telephone conferences that I had with individuals. It would reflect

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correspondence I had with individuals and other kinds of activities.

MR. KERR: Are they readily accessible? Is there some way you can look without too much difficulty at the week beginning September twenty-one to determine whether or not you were in contact and how you were in contact with Zucker during that week? I'm trying to determine whether or not Zink's story corresponds to what records or recollection you would have and try to determine where Zucker was during that week. Anything you could give me to help me in that regard would be much appreciated.

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THE WITNESS: In response to your request, I'm reviewing my daily time records for September 1986 and note that apparently the first reference I have to Mr. Zucker is on September twenty-two, which indicates I had a conference with him. And because of the way the description is written, it would appear that that conference took place in this office.

The next reference appears on September twenty-three, which indicates I had several telephone conferences with Mr. Zucker as well as a meeting with him and another individual. And those activities consumed quite a few hours.

BY MR. KERR:

Q The individual in question is not Mr. Hakim?

A That is correct. The next reference appears on September twenty-five indicating that I had a telephone conference with Mr. Zucker.

The next reference is on September twenty-six which indicates I had a telephone conversation with him on that date.

We have already discussed the conference which I had with him and others on September twenty-seventh. The next entry is on September twenty-nine which indicates -- there is no reference on September twenty-nine.

Q None to . . .

A None to Mr. Zucker. It would appear that on September thirty I attempted to telephone Mr. Zucker but apparently was unsuccessful.

Q Do you have references to the telephone numbers you were trying?

A Not in these time records, no. That concludes my September entries. Are you looking for any others?

Q The only other dates would be up through October third.

A Okay. October first is the next entry with reference to Mr. Zucker. I had a telephone conversation with him on that date. On October two I had a telephone conference with Mr. Zucker. On October three I had a telephone conference with Mr. Zucker. The reason I'm pausing is there was a meeting in my office on October three, and my records don't indicate Mr. Zucker's attendance. But it was the type of meeting that I would have anticipated his presence being noted.

Q Let me just add one thought which may or may not help you recall. We have been told by Mr. Zink that Mr. Zucker, with regard to the buy out of Mr. Farber, gave his proxy to Mr. Clark and basically instructed Zink that Clark could act for Zucker in this transaction. He indicated that the date of the agreement buying out Mr. Farber was October third, 1986. Do those facts as related by Mr. Zink give you any further recollection as to who you might be meeting with on October third?

A What you just described to me may very well explain why Mr. Zucker was not in my office on the third. Though

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without looking at other documents, I really couldn't confirm that. But that certainly is plausible.

Q Do you have any recollection of where it was that Mr. Zucker went to? Was he down in Florida or some other such place that you can recall where you were talking with him during this telephone conversation which you mentioned occurring after September twenty-seventh? Do you have any recollection at all?

A I really can't independently recollect. I know that over the course of the months that I had discussions with him, there were occasions where we spoke. He was in New York City at times. He was in Switzerland.

Q He got around.

A I believe he resides in Switzerland and has his offices there. I recall him indicating that at some point, and I don't recollect whether it was in the spring or the September time frame, that he was in Florida and it is quite likely that I spoke with him while he was there. I don't recall if indeed -- I know he indicated he was in Florida. I can't recall precisely if I spoke to him or not with him being in Florida. And if I did, I further don't recall whether he placed the call to me or whether I placed the call to him in Florida.

Q Do you have any recollection of the nature of the business that Zucker was doing in Florida when you contacted him in Florida, whenever it was, spring or fall?

A He may have mentioned casually that it involved either a prospective or an existing investment in, I believe, real estate.

Q Do you recall drawing any connection either because of what he said or by inference from what he said of a relationship between the investment he was going to discuss with the woman from Washington and the real estate investment he might have been pursuing in Florida?

A I don't recall drawing any such inference.

Q Let me just return to a couple of other things on the lady from Washington. As I understand your testimony, he never identified to you who the lady was?

A That is correct.

Q He never gave you an indication of her background that would allow her to be identified better, who she was married to, the nature of her line of work? Nothing in that regard?

A Other than she was a woman who was either a current or anticipated client who was talking about investment. I presume that it was not an insignificant one in that they were going out of their way to make these arrangements to meet.

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Q With regard to how this woman got in contact with Zucker or became his client, did he indicate anything to you in that regard at all?

A Not at all.

Q As to who met with the woman, Zucker himself indicated that he went; is that right?

A Yes.

Q Did anybody else, to your knowledge, go with him to the airport or whatever to meet with this woman?

A He was in my office alone. He returned to my office alone. Whether someone else joined him at some point, I have no idea.

Q He did not mention anyone else that would have been with him on this journey out to meet with the woman from Washington?

A That's correct.

Q Did Mr. Zucker at any time mention to you a relationship that he had with Lieutenant Colonel Oliver North?

A I can't recollect any statement by him in that regard.

Q Did you know that there was such a thing as Lieutenant Colonel Oliver North as of September, October, 1986?

A I don't believe so.

Q You had had no contact with either Colonel North himself or anyone acting on Colonel North's behalf, to your knowledge, as of that period of time?

A As of this or that period of time.

Q And with regard to Colonel North's family, including his wife, you had no knowledge of Colonel North's family including his wife as of September or October of 1986?

A As of then and today, correct.

Q And just to close it, in terms of what Mr. Zucker told you, he never mentioned Mrs. North as being the person with whom he was meeting on that Saturday in September of 1986?

A I don't recollect her name being mentioned by him at all.

Q Do you know a gentlemen by the name of Bob, Robert Fritchie?

A The name is not familiar to me.

Q Do you know a gentlemen by the name of Robert Dutton?

A The name is not familiar to me.

Q Do you have any knowledge of a business relationship that was discussed on behalf of Fourway with a

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company called American Arms Company?

A I don't have any precise recollection of any discussion.

Q Specifically, have you ever had any involvement with a discussion that Fo$\overset{u}{\wedge}$rway may have had with American Arms regarding production of a twenty-two caliber automatic weapon?

A The only reason I'm hesitating is it sounds like a name of a company of the type that they might have done business with, although I can't precisely say that it is a company that I know about that they did business with. So beyond that I can't say.

Q To be more precise, you don't have any knowledge, I take it, or any involvement in negotiations with Messrs. Dutton or a gentleman by the name of Goff with regard to production of an automatic weapon by Fo$\overset{u}{\wedge}$rway?

A No.

Q Do you know General Richard Secord?

A I certainly heard of him.

Q In connection with Forway, however, have you ever had occasion to be involved with General Secord or anyone acting on behalf of General Secord?

A No, I have not.

Q You have no knowledge of a transaction between

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Forway and a firm of General Secord's relating to radio receivers?

A The reason I'm hesitating now, Mr. Kerr, is I think that you crossed the line over into attorney/client privilege. Whether or not I had any information on that, I think it would be appropriate for me not to comment. I certainly do not want you to infer from what I'm saying that there was such a relationship between Fourway and Secord's company regarding radio receivers or that I had any information about it. But I think my comment negative or positive would be inappropriate.

Q Let me ask the question precisely. Mr. Zink told us there was a payment of a finder's fee to a company with which General Secord was associated called Stanford Technology Trading Group, International, STTGI, for short, and that that payment would have taken place, I believe, in 1986. Specifically do you have any knowledge of that transaction between STTGI and Fourway?

A Again, Mr. Kerr, I think it would be inappropriate for me to comment on any specific knowledge I would have regarding transactions involving Fourway. Although please do not infer from that that I have any information regarding this finder's fee which you just described.

Q In any event, though, as to General Secord you have

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not had occasion to be in communication with him; is that correct?

A That is correct.

Q With regard to the woman that Mr. Zucker met on Saturday, September twenty-seventh, 1986, did he indicate to you in any fashion that he was meeting with her on behalf of or in conjunction with work he was doing with General Richard Secord?

A No, he did not.

Q Did you have any knowledge of a transfer of funds from a firm known as CSF associated with Mr. Zucker to Fo$\overset{u}{\wedge}$rway Industries and through Fo$\overset{u}{\wedge}$rway Industries to Stanford Technology Trading Group which would have occurred in August of 1986?

A Once again I think it would be inappropriate because of my attorney/client relationship with Forway at that time to respond. Though please do not infer from that that I have knowledge one way or the other concerning your question.

Q Again, so that I understand, you do not recall ever having been in contact with Albert Hakim; is that correct?

A You are correct.

Q And the mention of this August transaction does not stir any further recollection or refresh your recollection of contacts you would have had with Albert Hakim; is that correct?

A That is correct.

Q Are you familiar with a firm known as Hyde Park Square?

A No.

Q You are familiar with a firm known as Clark Management; is that correct?

A Yes.

Q You do know a gentleman by the name of Alfred Clark; is that correct?

A Yes.

Q You came to know Clark Management and Alfred Clark by virtue of the work you did for Fourway and Mr. Farber?

A That's correct.

MR. KERR: I believe that covers it. On behalf of the Committee, please accept my thanks for being so cooperative and being a cooperative witness.

As I indicated when we were previously off the record, the Committee's policy is to maintain sole custody of the transcripts of its depositions, and these proceedings are considered by the Committee to be highly sensitive and confidential.

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In that regard, I have a request, and that is, that you not reveal the content of this deposition to others. I can't require you to do that. I would certainly appreciate it if you would keep it confidential.

Beyond that, if you wish to review the transcript, there is something to be said for that, particularly in this kind of situation. We're doing this transcript on an expedited basis. I can certainly make the transcript available for you to review and make any contributions or changes you feel are appropriate. Although I would ask that no copies be made of the transcript. But if you would like to have it to review, I would frankly appreciate it if you would review it.

THE WITNESS: I will leave that to your prerogative. If you make a transcript available to me, I represent to you I will review it and check it for accuracy and make appropriate notations. If you find for Committee purposes or procedures that you prefer not, that's fine by me.

MR. KERR: I think particularly in the importance of this transcript, my preference would be we ask the reporter to provide you with a copy and you make any changes on it and return it to the reporter who will return it to me. But I would ask that no copies of the transcript be made.

THE WITNESS: I understand.

MR. KERR: Thank you very much.

(Witness excused.)

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TESTIMONY CLOSED

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C E R T I F I C A T I O N

I hereby certify that the proceedings, evidence and objections noted are contained fully and accurately in the notes taken by me in the hearing of the above matter, and that this is a correct transcript of the same.

Harold Schulman

HAROLD SCHULMAN
REGISTERED PROFESSIONAL REPORTER
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